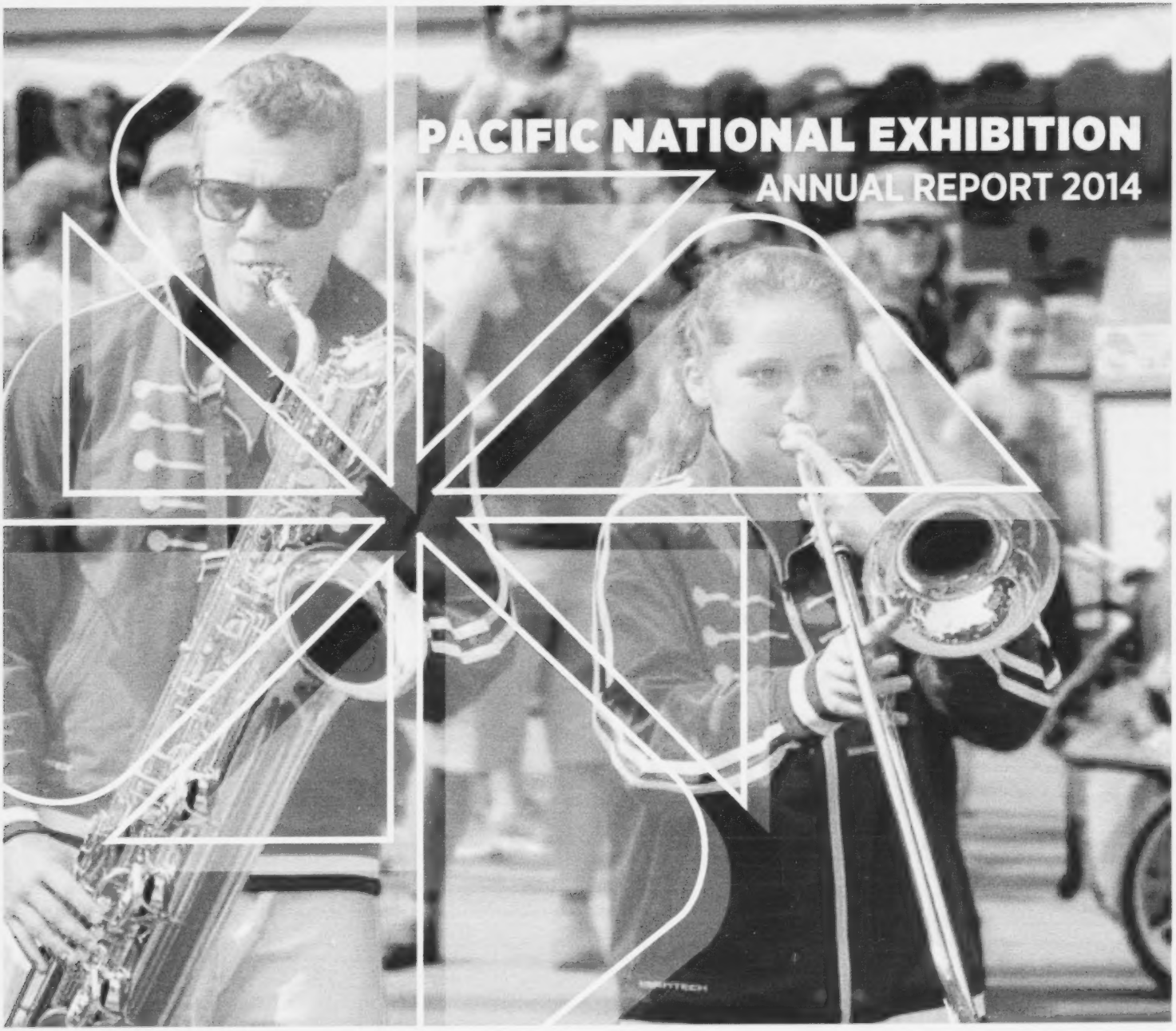

PACIFIC NATIONAL EXHIBITION

ANNUAL REPORT 2014

Pacific National Exhibition

SINCE 1910

FUN AT TOONCITY

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HOBIYEE,
PNE FORUM

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Much has been written in business literature about why companies more than 100 years old remain successful. A common theme is that the most effective organizations become significant, active members of their communities and that they see themselves, their staff and their partners as an integral part of the connection to history, reputation and the local community. This is especially true at the PNE. We believe that our team's deep-rooted history at Hastings Park and within this community has kept us strong. That strength is evidenced again in 2014 as we share the story of another successful year at this iconic 104-year-old organization.

Following a successful 2013, fiscal 2014 was also very positive for the PNE. This comes as a result of robust business planning, well-planned investment choices, careful execution, having the willingness to look honestly at how we do things, and having the strength to make changes where appropriate. This is particularly true in the past few years, where we have made significant changes to various aspects of the business and to our strategies. We are now experiencing the positive results through another financially successful year.

In 2014, the PNE generated $45.95 million in total revenues (a .8% increase over 2013) and $402,598 in positive net income (a 22% increase over 2013). The organization implemented year two of a five-year strategic plan to rejuvenate the Fair. This included investing in marquee one-time-only shows and exhibits that would make the Fair a must-see for families. Prices were kept low, and we remained closed on the first two Mondays, per the foundation set in year one of the strategy. These changes led to an 8% increase in Fair attendance and a 9% increase in net contribution over 2013.

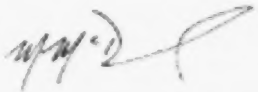
Strategic investments were also made into a new ride in Playland and a new haunted house for Fright Nights. While Playland saw cooperative weather, the labour dispute between the BC government and the BC Teachers' Federation resulted in 18,000 cancelled visits in the year-end school party program. This impact accounted for attendance being down 1.7% and net contribution being down 3% from 2013. However, had the provincial labour dispute not occurred, Playland was on track to have a record-breaking season. Playland's ability to adapt and keep costs down meant that the teachers' strike did not impact the park nearly as much as it could have. Fright Nights saw more rain than average; however, while attendance was down by 6%, revenues stayed strong and net contribution was 13% higher than 2013. Year-round events also had a very strong year, with diversified trade and consumer show business and increased film revenues. Concert business also remained strong. All of these factors contributed to an increase in total revenue and net contribution for the organization as a whole.

In summary, 2014 was a very solid year, not only delivering a positive net income for this year, but also contributing to an overall positive impact of $4.8 million invested back into the site and facilities since 2002. This is over and above the $6 million budgeted annually for park and facility maintenance through regular operations.

Work on implementing the Hastings Park Master Plan also continued. Temporary greenways were developed through the site, and construction continued on Empire Fields for a summer 2015 reopening. The Playland Master Plan is in the final stages, and the future remains very bright for the PNE. We will continue to embrace working with the City of Vancouver on the development of this vibrant urban public park and, as always, we remain committed to being a contributing part of the local community and to improving our environmental footprint.

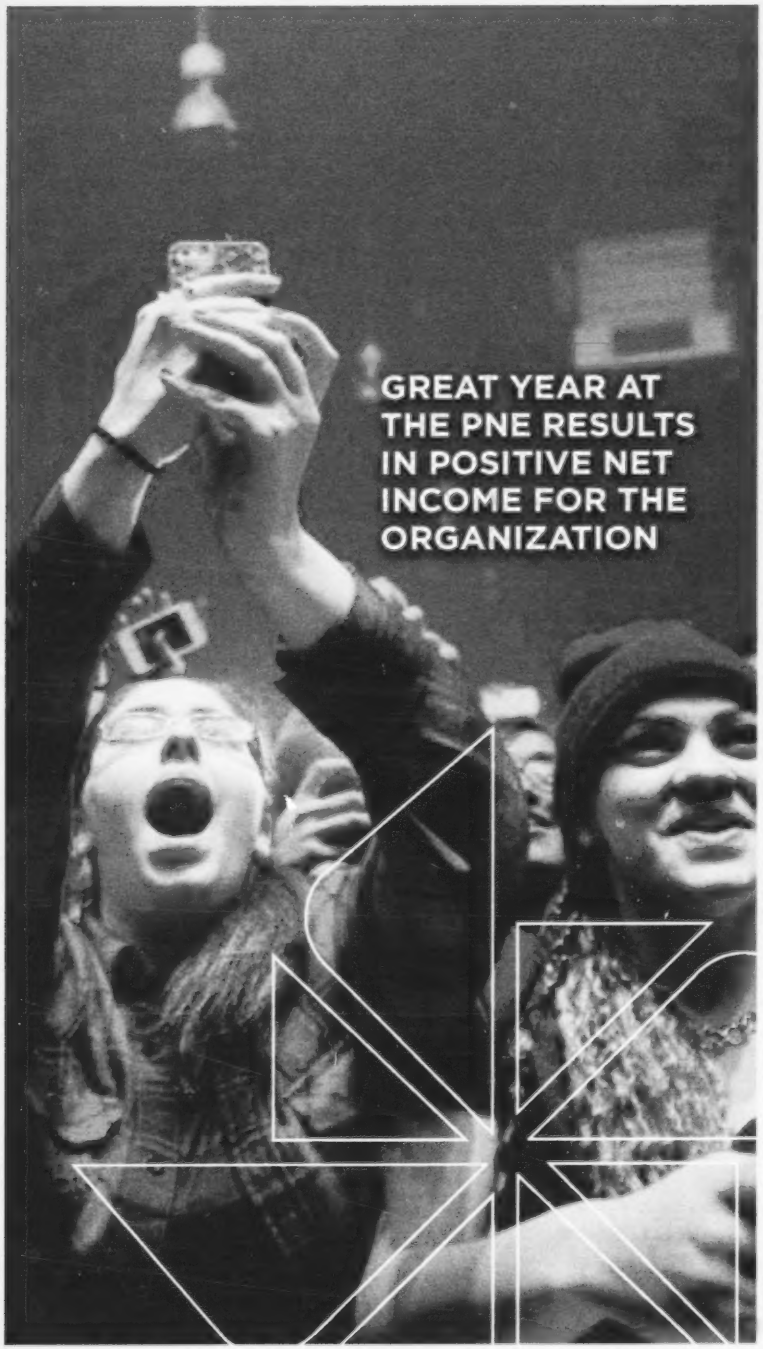
We also continue to recognize that a big part of this success comes from the efforts of staff and management, who make this organization great by providing a foundation of forward thinking and resilience to withstand challenges. Our accomplishments speak volumes about the passion and dedication of this hard-working team, and we would like to take this opportunity to personally thank the PNE staff team for their tireless efforts, and the Board of Directors for their ongoing support and contributions to the organization throughout the year. We look forward to making continual improvements to the park and our operations in the years to come, and we invite you to visit us at Hastings Park in 2015.

Raymond Louie
Chair, Board of Directors



Michael McDaniel
President and
Chief Executive Officer

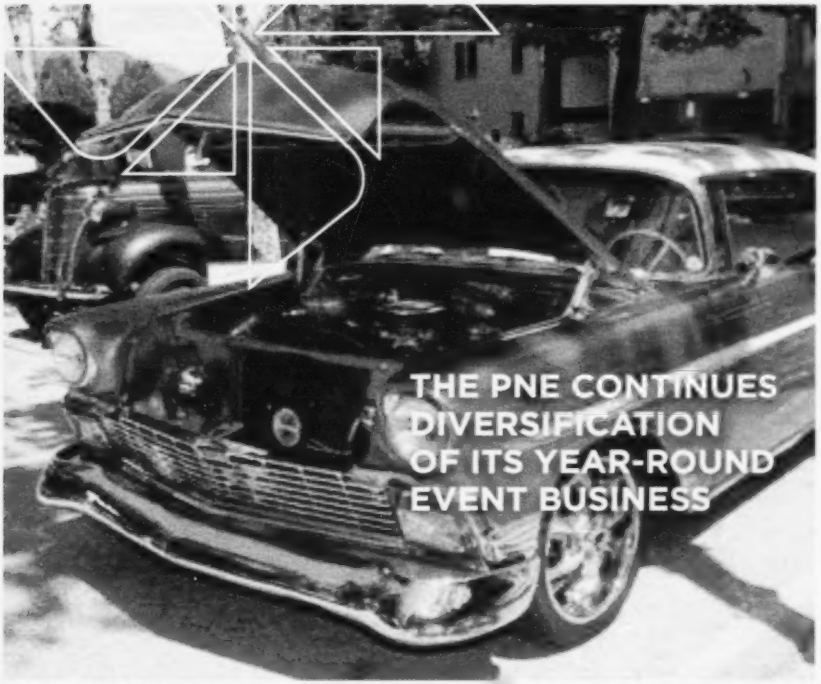
HIGHLIGHTS FROM FISCAL 2014



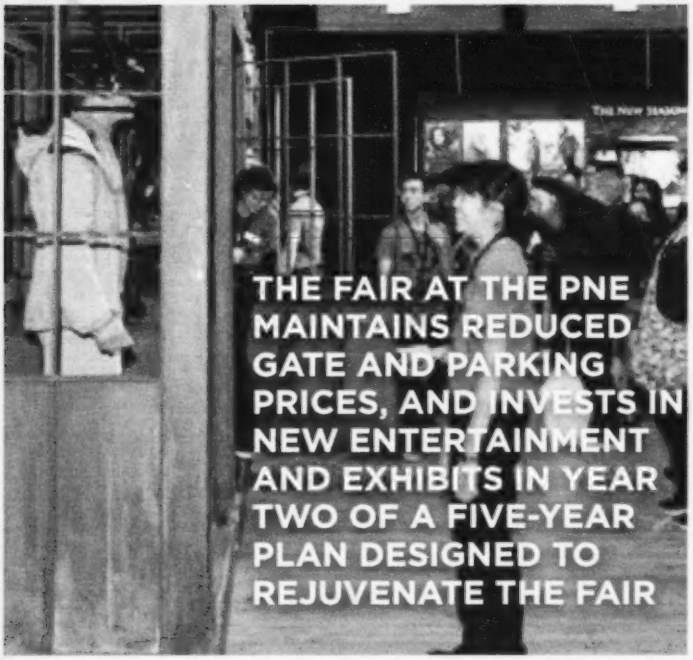
PLAYLAND INVESTS IN A NEW RIDE AND HAS A STRONG YEAR, DESPITE THE IMPACT OF THE LABOUR DISPUTE BETWEEN THE BC GOVERNMENT AND BC TEACHERS' FEDERATION ON SCHOOL YEAR-END PARTIES

(APRIL 1, 2013 – MARCH 31, 2014)

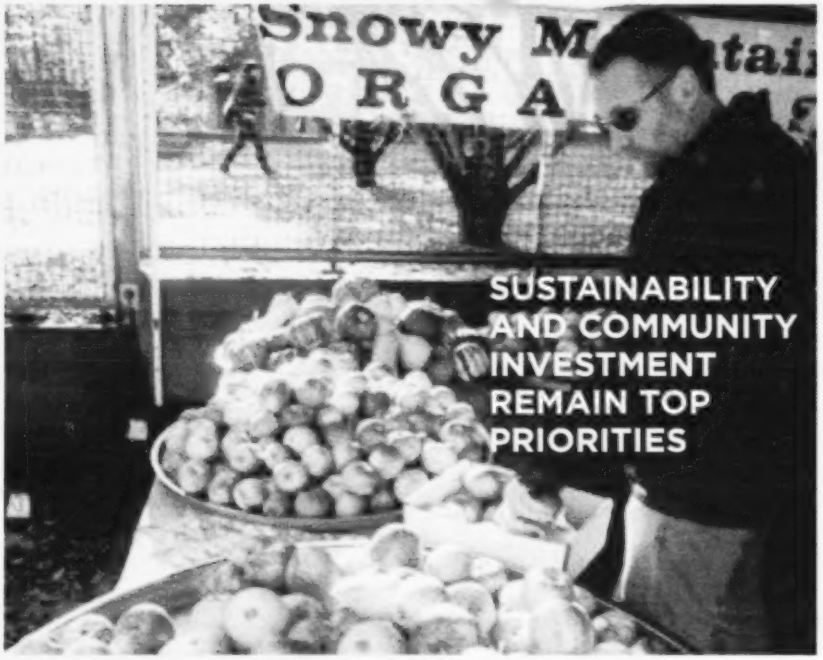
INVESTMENTS IN NEW HAUNTED HOUSE FOR FRIGHT NIGHTS HELPS TO DRIVE STRONG ATTENDANCE DESPITE RAIN



THE PNE CONTINUES DIVERSIFICATION OF ITS YEAR-ROUND EVENT BUSINESS



THE FAIR AT THE PNE MAINTAINS REDUCED GATE AND PARKING PRICES, AND INVESTS IN NEW ENTERTAINMENT AND EXHIBITS IN YEAR TWO OF A FIVE-YEAR PLAN DESIGNED TO REJUVENATE THE FAIR



SUSTAINABILITY AND COMMUNITY INVESTMENT REMAIN TOP PRIORITIES

INTRODUCTION

Solid business planning throughout fiscal 2014, along with strategic investments into several activity streams, resulted in a positive net income of $402,598 and a growing operating surplus for the organization.

The Fair had a stellar year as year two of the five-year strategic plan took effect. Investments into marquee one-time-only entertainment and exhibits coupled with keeping gate, ride and parking prices frozen resulted in an 8% increase in attendance over 2013. These investments — combined with new investment into Playland and Fright Nights, the continued diversification of year-round events through an expanding consumer and tradeshow market, and strong film activity — once again contributed to an extremely positive year for the organization.

Operating such weather-dependent activity streams often means that financial results can be highly variable from year to year. With more than 100 years of experience on-site, the PNE understands this and has been able to mitigate the highs and lows in order to produce an operating surplus in 10 of the last 12 years, including 2014. This continues to illustrate a high level of success in a volatile industry, with the PNE creating an overall positive impact of $4.8 million invested back into the site and facilities since 2002.

As the PNE enters its 105th year of operation, the future remains very bright for this organization. Continued implementation of the approved Master Plan for Hastings Park is providing a solid foundation for the organization's growth as well as for enjoyment of the site by guests and the local community. In addition to Master Plan developments, a five-year plan to reinvigorate the Fair at the PNE is in its second year, and continued investments into Playland and Fright Nights attractions will keep guests returning. Continuing to diversify the year-round event portfolio and the execution of new business development ideas will provide a strong basis for ongoing success.

FAST FACTS

There are a few things about the PNE that are not commonly known:

The PNE is a non-profit organization and, as a financially viable non-profit entity, all profits are invested back into the site, facilities and programs.

The organization is owned by the City of Vancouver and is governed by a Board of Directors that includes business and community leaders, as well as elected officials and senior staff from the City of Vancouver and the Vancouver Park Board.

Hastings Park, which is a parcel of land held in trust for the City of Vancouver, is managed and operated by the PNE on behalf of the City.

The PNE manages Hastings Park, with the exceptions of the racetrack, which is operated by Great Canadian Casinos, and Empire Field, which is under the care of the Vancouver Park Board.

The PNE is the largest employer of youth in British Columbia, providing a range of much-needed first jobs that build essential skills for the next generation of workers and leaders.

THE PNE'S ROLE AT HASTINGS PARK

Hastings Park is a 165-acre parcel of land granted to the City of Vancouver in 1889 via the Hastings Park Trust. The City of Vancouver owns the PNE, which has operated from and governed Hastings Park since its inception in 1910. The organization has four activity streams and governs 105 acres of the total 165-acre parcel. Great Canadian Casinos operates the racetrack on 50 acres through a separate operating agreement with the City of Vancouver, and 10 acres at Empire Fields are governed by the Vancouver Park Board.

"The fine balance of community and commercial uses on-site is essential to providing the financial flexibility for the PNE to invest millions annually in supporting community use of the site and in enhancing park spaces."

THE STRUCTURE OF THE PNE

The PNE business structure is made up of four activity streams, three of which generate revenue. The most significant and well-known of the four activity streams is the Fair at the PNE, an iconic 104-year-old summer event that draws an average of 800,000 guests each year from across British Columbia to be entertained and to experience a range of foods, shows, rides and exhibits. This event accounts for almost 50% of the PNE's annual revenues. The PNE's second activity stream is Playland Amusement Park. Playland, which is open from April through October each year, entertains more than 375,000 guests (outside of Fair-time) with games, food, and 35+ rides and attractions. This activity stream accounts for approximately 25% of the PNE's annual revenues. The third activity stream is the year-round events portfolio. This includes the use of all of the on-site facilities to host concerts, sporting events, festivals, and cultural and community events. While some facilities on-site are dedicated primarily to community programs, which are subsidized by the PNE, year-round events account for the remaining 25% of the PNE's annual revenues. The fourth activity stream is facility maintenance and park development. The PNE is solely responsible for the care and upkeep of indoor facilities such as the Pacific Coliseum, Forum, Agrodome, Rollerland, Livestock building and Garden Auditorium. The PNE also ensures that outdoor spaces—including the Sanctuary, Italian Gardens, Momiji Garden, the centre grounds and all outdoor spaces within the 105-acre border—blossom and thrive for guests and the local community to enjoy. The organization has specially trained horticultural teams on staff to ensure that the public park spaces remain in their naturally intended states. To ensure best practices for park spaces, the PNE collaborates with Vancouver Park Board staff throughout the year, and their valuable input is reflected throughout the site. While management of facilities and the park space does not generate revenues, the care of the facilities and grounds is a regularly budgeted expense. In 2014, the PNE invested approximately $6 million into facility and park care, of which approximately $3 million was dedicated to outdoor space to ensure that these public spaces remained well taken care of and ready to be enjoyed year-round.

"Because Hastings Park is so vibrant and active, some people think we are a commercial company, but the PNE is—and always has been—a not-for-profit organization. One hundred per cent of proceeds are invested back into the site, facilities and programs, and into the upkeep of green spaces."

The PNE is governed by a Board of Directors that includes business and community leaders, as well as elected officials and senior staff from both the City of Vancouver and the Vancouver Park Board. Because Hastings Park is so vibrant and active, some people think we are a commercial company, but the PNE is—and always has been—a not-for-profit organization. One hundred per cent of proceeds are invested back into the site, facilities and programs, and into the upkeep of green spaces.

The PNE has proudly managed and governed Hastings Park since it was granted in trust to the City more than a century ago. During that time, the PNE has gained 104 years of experience with, and knowledge of, this unique site. The fine balance of community and commercial uses on-site is essential to providing the financial flexibility for the PNE to invest millions annually in supporting community use of the site and in enhancing park spaces.

THE PNE'S ROLE IN THE COMMUNITY: 104 YEARS AT THE HEART OF HASTINGS SUNRISE

Since 1910, the PNE has proudly been at the heart of Hastings Park and the Hastings Sunrise community. The organization remains committed to positively impacting the neighbourhood that it has been part of for more than 104 years and committed to helping to mitigate any negative impacts. The PNE is also the primary steward of all the facilities and public park spaces on-site. Each year, the PNE budgets and spends approximately $6 million on facility and park care, with approximately $3 million of that dedicated to outdoor spaces.

While the PNE receives unparalleled support from many neighbours and from the vast majority of Vancouver residents, the PNE management team remains fully committed to consulting with the community, minimizing negative impacts, and enhancing our positive influences now and into the future.

As an example, the PNE supports a variety of community activities through its financial subsidy of on-site programs. This includes providing over 1,750 hours of community ice programs throughout the year to 18 hockey and skating groups in the Agrodome, at rates equivalent to those offered by community rinks. Our largest users of this space continue to be Vancouver Minor Hockey and the Vancouver Skate Club (figure skating). The PNE also provides a low-cost home exclusively for the CircusWest training school in the Garden Auditorium for 11 months each year, and it provides subsidized venue rentals for a variety of local non-profit and community groups. The PNE partners with local schools, sport groups and non-profit organizations to support their initiatives, from fundraising to student leadership. Throughout 2014, the PNE also continued to provide complimentary space and management support to a variety of events coordinated by neighbourhood groups, including the LightWaterDrums Festival, Kiwassa Neighbourhood House, Hasting North Community Partners Groups, Templeton School Hub Grade 7 Conference, Greater Vancouver Japanese Canadian Citizens' Association and practice space for the Radiant Heat fire performance troupe.

The PNE continues to be one of the largest local supporters of the Hastings Community Little League (HCLL). For over 50 years, the HCLL has provided thousands of children with the opportunity to have fun while being active and learning valuable skills such as teamwork. The PNE provides a complimentary Playland PlayPass to 420 league players each year, plus free indoor practice space. The PNE also provides the organization with fundraising opportunities to help fund upgrades to the ball diamonds, with the goal of hosting the 2016 National Championships. These efforts include HCLL Community Day in Playland, where a portion of every Playland admission

"The PNE partners with local schools, sport groups and non-profit organizations to support their initiatives, from fundraising to student leadership."

is donated to HCLL. In 2014, over $12,070 was raised for HCLL through this initiative.

Every year for the past decade, at the end of September, the PNE hosts 10–12 local Hastings Sunrise schools at Empire Field for the annual Terry Fox National School Run Day. The schools raise awareness and funds for The Terry Fox Foundation and run a course in the park to promote physical activity. The PNE provides logistical support as well as snacks and water for 1,400 to 2,000 kids. Unfortunately in 2014, this run did not happen, due to the BC teachers' strike, but we will welcome the schools back in 2015.

On July 27, 2014, the PNE hosted its third annual community BBQ at Hastings Park, with local neighbours invited to enjoy complimentary food and beverages, activities and prizes. More than 830 neighbours came out to enjoy this free day of fun—this is just one way that the PNE says "Thank you for being great neighbours".

The PNE also recognizes that large celebrations and events bring positive impacts—and sometimes negative ones—to the surrounding community. The PNE is proud of its programs that support the local community and that help minimize those negative impacts. In 2013, the PNE began a Neighbourhood Focus Group consisting of approximately 20 local neighbours who meet twice per year with the PNE senior management team to ensure open feedback, to discuss issues and provide input on ways to mitigate negative impacts, as well as to discuss how to build on the positive aspects of the PNE's role in the community. As part of other ongoing efforts to minimize negative impacts of its operations on the neighbourhood during large events like The Fair, the PNE operates the Neighbourhood Clean-Up Crew and Neighbourhood Bike Patrol programs to help keep the residential areas clean and safe. In addition, to ensure that sound bylaws are is met, the PNE has decided to no longer book certain types of shows in certain venues. The rental of parking lots from local schools during The Fair helps reduce neighbourhood parking impacts while providing the schools with funding to support the programs of their choice. The PNE also engages local businesses and neighbours with complimentary tickets to attend PNE events. To help our neighbours, the PNE ensures that residents in the Hastings Sunrise area have access to special passes, allowing residents to continue to enjoy paths for jogging and other regular park activities during the 17 days of The Fair.

GIVING BACK IN 2014

ALTHOUGH THE PNE ITSELF IS A NON-PROFIT ORGANIZATION, WE CONTINUE TO TAKE GREAT PRIDE IN GENEROUSLY GIVING BACK TO OTHER LOCAL ORGANIZATIONS THAT ARE DOING WORK TO SUPPORT OUR SHARED COMMUNITIES.

- In 2014, the PNE provided over 13,800 tickets to local residents so they could come and enjoy PNE events. We continue to see growth in this program year over year.
- Over 570 non-profit organizations and kids' programs received more than 3,440 tickets through various ticket donation programs in 2014. Although the groups who receive ticket donations change from year to year, recipient groups for 2014 included the MS Society of Canada, BC Children's Hospital Foundation, Canadian Cancer Society and YWCA.
- An additional 2,200 tickets were donated to 16 schools and several local organizations through our local community ticket donation program. Recipients included local elementary, middle and high schools, as well as community groups like Hastings Community Centre, Kiwassa Neighbourhood House, the Hastings North Business Improvement Association and the Hastings Sunrise Community Policing Centre.
- Throughout the year, the PNE makes use of the electronic readerboard at the corner of Hastings and Renfrew to run complimentary messages for local non-profit groups such as the Hastings Park Conservancy, Amanda Todd Legacy Society, the LightWaterDrums Festival and the Terry Fox Foundation, in addition to promoting events happening on-site.
- For the fifth year, the PNE brought together 12 community-minded youth aged 16–18 from across the Lower Mainland to sit on the PNE Youth Council for a one-year term. The council provides leadership opportunities, and allows its members to learn about the organization and a range of business topics. The council also provides the PNE team with insights for the future. This year, council members represented Vancouver, Burnaby, Surrey, Coquitlam and Richmond.

THE PNE'S ROLE BEYOND HASTINGS PARK

IMPACT ON THE ECONOMY

The PNE is a strong driver of the local economy, averaging total revenues of $47.3 million each year across its four activity streams ($44.1 million–$51.5 million, with a seven-year average of $47.28 million). Combined PNE activity streams contribute an estimated $139.1 million share of the value-added gross domestic product (GDP) for BC, and $115.2 million of this was generated in the Vancouver census metropolitan area (CMA). These same PNE activities provide $94.7 million each year in staff wages in BC, $80.0 million of which is retained in the Vancouver CMA. (*Source: 2002 Economic Impact Study by Pannel Kerr Forster.*)

The contributions from each activity stream are as follows.

Playland welcomes over 375,000 guests annually (300,000 to Playland during its regular season, plus an additional 75,000 each year to Fright Nights), and generates hundreds of local jobs and approximately $11.5 million in gross revenues annually ($10.6 million–$12.3 million, with a seven-year average of $11.6 million).

The 17-day Fair at the PNE averages 800,000 guests each year (712,000–937,000, with a seven-year average of 799,214 guests). The Fair also generates $24 million in revenues each year ($22.1 million–$26.1 million, with a seven-year average of $24.0 million). Total economic impact of The Fair on British Columbia specifically on GDP is over $58 million, $37 million in salaries and wages, and $25 million in total taxes. (*Source: Demand-Side Economic Impact Reporting for Industry Canada conducted by EventCorp in 2010.*)

Year-round events at the PNE such as concerts, sporting events, film, and cultural and community events generate total revenues in excess of $11 million annually ($10 million–$13.6 million, with a seven-year average of $11.02 million). The PNE organization also invests approximately $6 million annually in facility maintenance and park development.

A STRONG INFLUENCE ON TOURISM

The PNE is also proud to contribute to local, provincial and national tourism efforts and contributes to a strong tourism market in a number of ways. For example, The Fair draws 85% of its guests from the Lower Mainland, 11% from elsewhere in BC and 4% from beyond the province. Approximately 11% of guests travel more than 80 kilometres to visit The Fair. An independent research study commissioned by the federal government in 2010 showed that 86% of those guests who travelled more than 80 kilometres said that The Fair influenced their trip or was the main purpose of their trip. A large proportion (65%) of those guests stay over each year in the Vancouver area for an average of 3.5 nights each. Approximately 40% of overnighters use commercial accommodations, resulting in more than $1.7 million annually in spending on lodgings. And more than 20% of Fair guests extend their travel to other regions of Canada, resulting in additional spending of over $5.5 million each year.

PHILLIP PHILLIPS,
PNE AMPHITHEATRE

SANCTUARY

A BRIGHT FUTURE FOR HASTINGS PARK: THE MASTER PLAN PROGRESS REPORT

Since 2004, the City of Vancouver has been working to define the future of Hastings Park and the PNE through a Master Planning Process. In December of 2010, a significant milestone was reached in this planning—Vancouver City Council adopted a $250 million 25-year Hastings Park/PNE Master Plan. This plan guides the long-range redevelopment of Hastings Park. Then, in July 2013, a further milestone was reached when Vancouver City Council completed its governance review and adopted a long-term governance model for Hastings Park to remain with the PNE. This decision allows the PNE and the PNE Board of Directors to plan holistically for the future while keeping the long-term interests of the PNE, park space and increased community involvement in mind.

Through implementation of the Master Plan, Hastings Park will be transformed into a greener year-round destination with space for festivals, culture, sport and recreation, leisure and fun. The Plan provides for new and renewed facilities on-site, with the amount of park space almost tripling, from 27 acres to 76 acres. This revitalized Hastings Park will provide expanded green spaces that link to the city's green corridors, quiet blooming gardens, and pathways to and from every corner of the site. Facilities will be redeveloped to enable celebrations, festivals, sports, music, and family entertainment, as well as to facilitate the growth and evolution of that beloved end-of-summer tradition, the Fair at the PNE, the largest ticketed event in BC. Playland will remain at the heart of Hastings Park, and softer landscapes and more space will allow Playland to expand and thrive as it continues to thrill families and kids of every age.

The Master Plan is also an opportunity to significantly improve the sustainability and ecological performance of Hastings Park and the PNE, consistent with Vancouver City Council's Greenest City Action Plan priorities. The Master Plan achieves the challenging balance of providing a significantly greener and more publicly accessible Hastings Park while renewing Vancouver's historic annual Fair and amusement park and ensuring the PNE's economic vitality and long-term sustainability.

Over the past year, several projects moved forward or were completed, including Phase 1 of the Hastings Park identity and signage program. New temporary bikeways and pedestrian paths were developed and marked throughout the site. The redevelopment of Empire Fields continued throughout 2014 and a great deal of progress was made, but it is expected to take until summer 2015 to complete converting the temporary stadium back into a community sports field with new and improved legacy equipment, a new plateau park and courts for community use.

These park developments focus on key Master Plan priorities: creating additional park space, improving access to Hastings Park and ensuring the long-term financial viability of the PNE.

Ongoing information on the Hastings Park/PNE Master Plan can be found at www.vancouver.ca/pnepark.

GAME OF THRONES EXHIBIT

PNE 2014 BUSINESS RESULTS

The PNE experienced many successes in 2013 and, although 2014 offered different wins and challenges, in the end, the PNE had another very successful year. All activity streams performed well, resulting in positive net income overall.

Despite the end-of-year teachers' strike, which resulted in over 18,000 cancelled visits for the year-end party program, Playland had a strong season that was buoyed by good weather and strong group sales activity, as well as the successful introduction of the new Rock-N-Cars ride.

A number of entertainment changes were introduced as part of year two of a five-year strategic plan to rejuvenate The Fair. Not only were the changes very well received—they also translated into strong spending and an 8% increase in Fair attendance over 2013.

Fright Nights had a near record-breaking year despite a higher-than-average rainfall. A dynamic pricing structure coupled with a front-of-the-line ticket option (Rapid Pass) and a new haunted house (Keepers Doll Factory) resulted in strong attendance and revenues.

The year-round events portfolio continued to show solid performance through growth in tradeshows and consumer shows, solid film rentals, ongoing strength in the electronic dance music industry, and the hosting of several unique indoor and outdoor concerts. The PNE and Hastings Park continue to provide the venue of choice for large-scale, complex events that require a wide range of resources, spaces and expertise.

Ultimately, these successes across all activity streams resulted in a positive net contribution of $402,598 to the organization for fiscal 2014. Despite very weather-dependent activity streams and the decade's economic slowdown, the PNE has produced a total positive net contribution in 10 of the last 12 years, with a total of $4.8 million invested back into the site and facilities. (Please see ***figures 1 and 2***, which show the organization's seven-year financial history). The following is a more detailed summary of both qualitative and quantitative results across PNE activity streams for 2014.

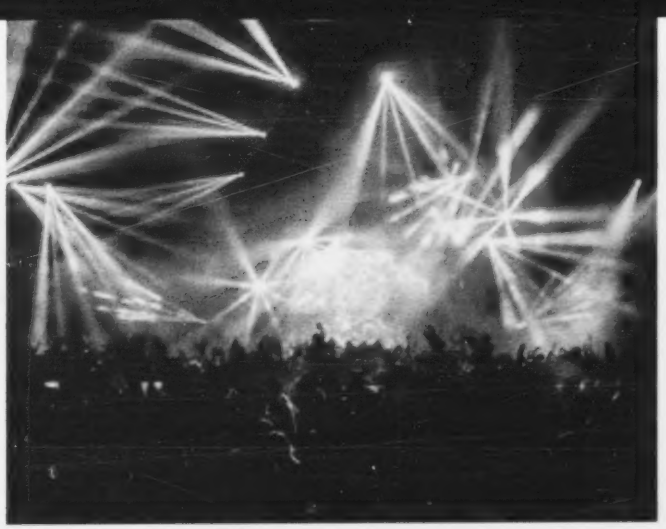


figure 1
PNE TOTAL REVENUES

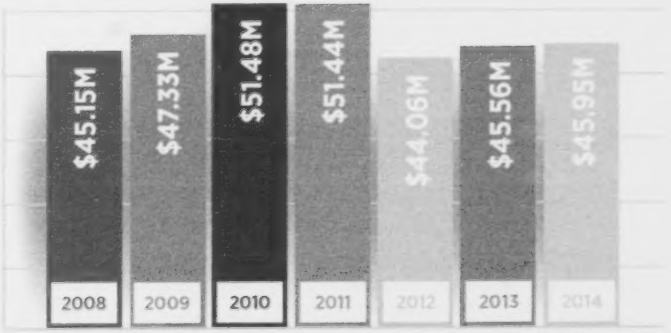


figure 2
PNE TOTAL NET CONTRIBUTION

PLAYLAND

BC's iconic premier amusement park caters primarily to teens (ages 12–24) looking for the thrill ride experience. In recent years, however, Playland has also built a strong demographic—families with young children—through its investment in a number of new family-friendly rides. Playland has all of the traditional midway games, food, rides and attractions that one would expect in a regional amusement park. In 2014, Playland was open for 92 operating days, from May 3 through September 21, and welcomed 295,182 guests (see ***figure 3*** for a seven-year history).

A key highlight for the season was the introduction of a new bumper car ride called Rock-N-Cars, which caters to families as well as to teens. With the goal of increasing repeat ridership, our custom design for the ride had three different car models to encourage people to try out the different styles of cars. As well, six of the 20 cars were brand-new Formula One race car models, a first in North America, which were very popular with guests. Overall, Rock-N-Cars delivered a 24% increase in ridership over the previous year's bumper car ride.

The most significant impact on the season came as a result of the province-wide teachers' strike that resulted in the loss of almost 18,000 visits due to the cancellation of school year-end parties. Even with the loss of these visits, Playland attendance was down by only 1.7% over 2013. Total Playland revenues for 2014 were $11.91 million, with a net contribution of $6.38 million (see ***figures 4 and 5*** for a seven-year history).

Group sales activity was also strong despite the loss of year-end party visits. The annual Science of Fun and Amusement Park Physics and Science programs brought 28,180 student guests to Playland. In addition, 2,785 kids came as part of registered birthday parties, and over 31,300 guests visited Playland through 71 different corporate VIP events held on-site throughout the season.

In summary, Playland had a great season. A new ride, great weather and strong group sales efforts were hampered by the teachers' strike, but we look forward to Playland's ongoing success and development through City Council's approval of the 25-year redevelopment plan for Hastings Park that will see Playland grow and be revitalized in the coming decade. For more information on the Hastings Park Master Plan, please visit www.vancouver.ca/pnepark.

figure 3
PLAYLAND ATTENDANCE

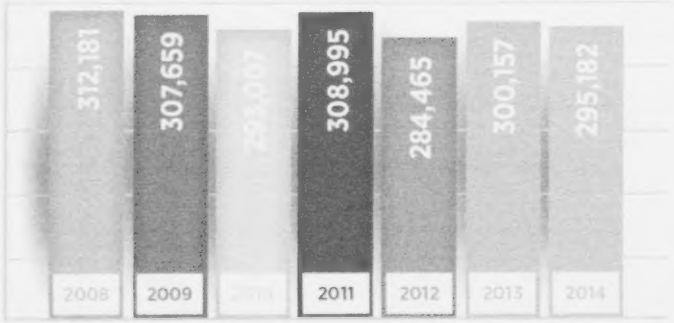
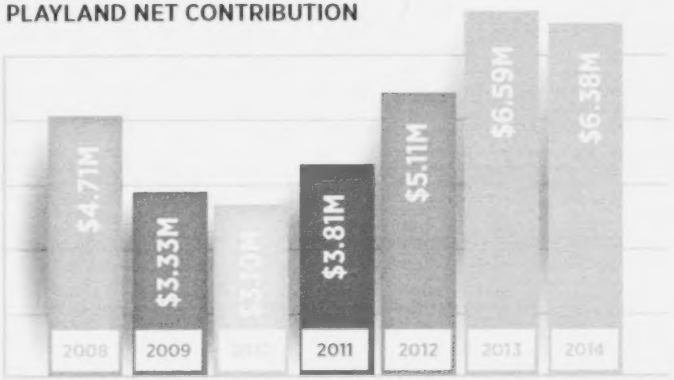


figure 4
PLAYLAND TOTAL REVENUES

figure 5
PLAYLAND NET CONTRIBUTION



SCIENCE OF FUN PROGRAM

FRIGHT NIGHTS

Each year after Playland closes its doors for the regular season, the PNE team spends several weeks transforming the park into the eerily haunted world of Fright Nights. As Western Canada's scariest haunt, there really is no event quite like Fright Nights. It's a unique nighttime event with all the excitement of amusement rides, horrifying haunted attractions and roaming cast members to scare you silly. After 12 years, it truly is Vancouver's signature Halloween event and in 2014, the event was expanded to include a new haunted house—Keepers Doll Factory—as well as one additional ride, resulting in a total of 13 rides and seven houses available for guests to enjoy. Additional entertainment included the Monsters of Schlock comedy act and the Radiant Heat fire performance troupe.

Although higher-than-average rainfall kept some guests away, Fright Nights had strong attendance, bringing in more than 74,000 guests over the 17-day operating season (see ***figure 6*** for a seven-year history). The new dynamic pricing and operating schedule introduced in 2013 was continued in 2014. Fright Nights remained closed on traditionally slower nights (Mondays, Tuesdays and some Wednesdays) and was open across more weekend dates from October 10 through November 1. Pricing the most popular weekend days at a premium, offering Rapid Passes, and providing cost-conscious guests with lower prices on less heavily attended days helped to spread out attendance across the run and improved the guests' experience on the busiest evenings.

Fright Nights achieved revenues of $2.86 million (see ***figure 7*** for a seven-year history) and contributed $1.79 million in net income towards the Playland activity stream (see ***figure 8*** for a seven-year history). This was another hugely successful Halloween season—Fright Nights continues to make for a uniquely terrifying experience each fall.

Note: Fright Nights revenues are included in the Playland total; they are broken out separately in this section for comparative purposes only.

figure 6
FRIGHT NIGHTS ATTENDANCE

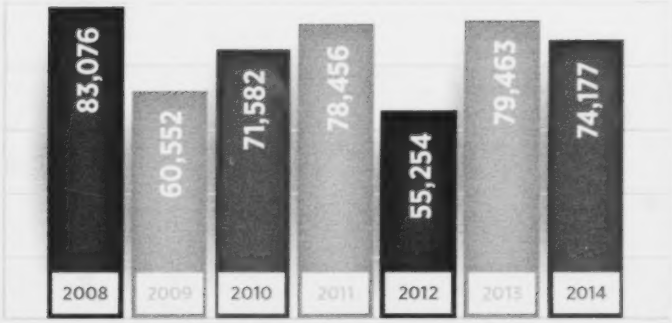


figure 7
FRIGHT NIGHTS TOTAL REVENUES

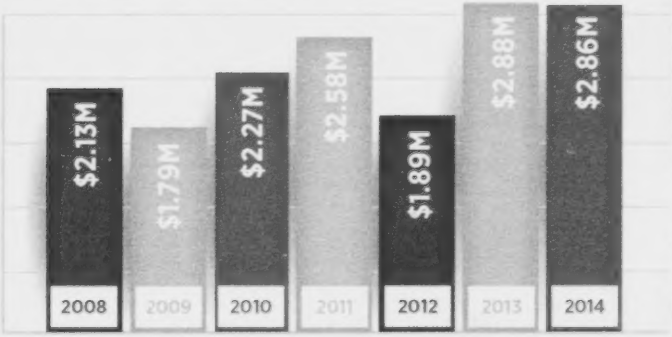
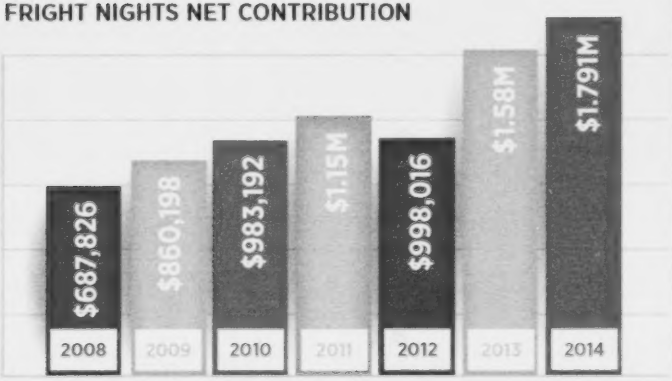


figure 8
FRIGHT NIGHTS NET CONTRIBUTION



THE FAIR AT THE PNE

Even after 104 years, the Fair at the PNE is the largest ticketed event in BC, and it remains an iconic end-of-summer tradition for people of all ages from across the province. The event is responsible for approximately 50% of PNE annual revenues and is the single largest initiative the organization works on. Each year, the PNE tries to preserve the fine balance between providing guests with new and traditional favourites, weighing the must-have iconic traditions against adding new entertainment to keep the experience fresh—all to make The Fair something that guests simply can't miss and the event that creates family memories for generations. Events and entertainment options available to families have changed dramatically over the past decade, and the PNE understands that The Fair needs to continue to transform as it finds its place in this ever-evolving landscape.

THE FAIR'S FIVE-YEAR STRATEGY

The 2014 Fair was the second year of a five-year strategy to rejuvenate The Fair. In 2013, year one of the strategy, management chose to focus on reducing pricing and shifting the value proposition so that families did not find The Fair cost-prohibitive. As such, both Fair gate admission and on-site parking prices were reduced by 20% for all guests on all days. A new coupon savings book was introduced and new promotional days were added to make it easier to find a cost-effective way to attend. All these initiatives were continued and expanded in 2014. The 2014 coupon book contained over $350 in savings, and provided over 80 deals for a wide variety of concessionaires and exhibitors on-site. Promotional days included Free Admission Day on Tuesday, August 19, where everyone received free gate admission between 11 am and 1 pm (with kids 13 and under free always, any day, any time). Wednesday, August 20 was Wild Ride Wednesday, with two-for-one all-day ride passes if purchased on-site before 1 pm. Thursday, August 21 was Seniors Day, with guests 65 years of age and older receiving free gate admission from 11 am to 1 pm. Vancity Member Day was held on Wednesday, August 27, and admission for all Vancity members and credit card holders plus one guest was only $5 each. The Twilight Ride pass and After Dark promotions also continued to provide value for guests who were coming to The Fair late or purchasing an all-day ride pass later in the day. Lastly, we continued Heroes Weekend, this year providing first responders with free admission, but moved this promotion to the opening weekend of The Fair. Also, due to very poor weather forecasted for the final long weekend of The Fair, the PNE decided that rain wasn't going to spoil the busiest weekend of a hugely successful Fair. The PNE made the unprecedented move of offering free admission to all guests coming to The Fair between 11 am and 1 pm on both Saturday, August 30 and Sunday, August 31—people answered the call and came out to celebrate.

Year two of the five-year strategy also focused on reinvesting in the entertainment mix, with the goal of providing guests with must-see marquee entertainment and exhibits that would be available to experience for one year only. The intent was to ensure that key Fair

CIRCUSWEST,
ROGERS DIGITAL VENUE

BOYS II MEN,
PNE AMPHITHEATRE

figure 9
FAIR ATTENDANCE

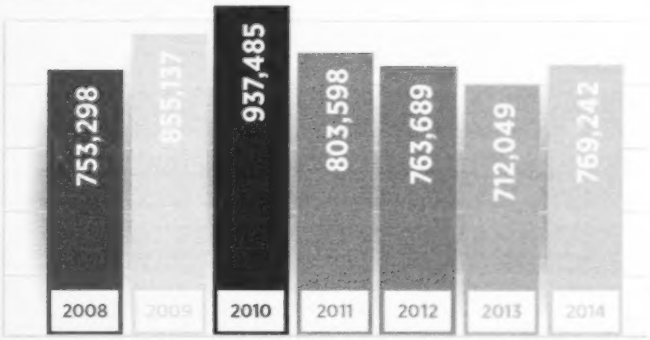


figure 10
FAIR TOTAL REVENUES

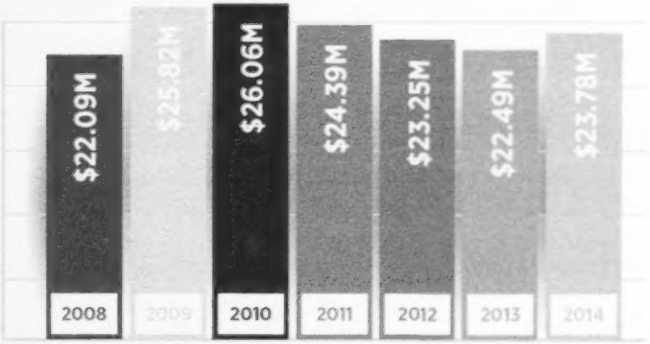
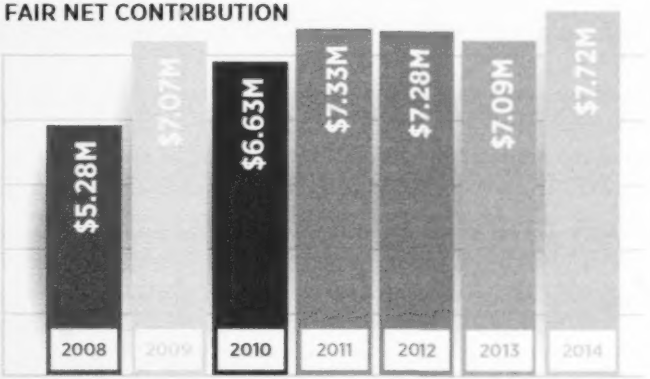


figure 11
FAIR NET CONTRIBUTION



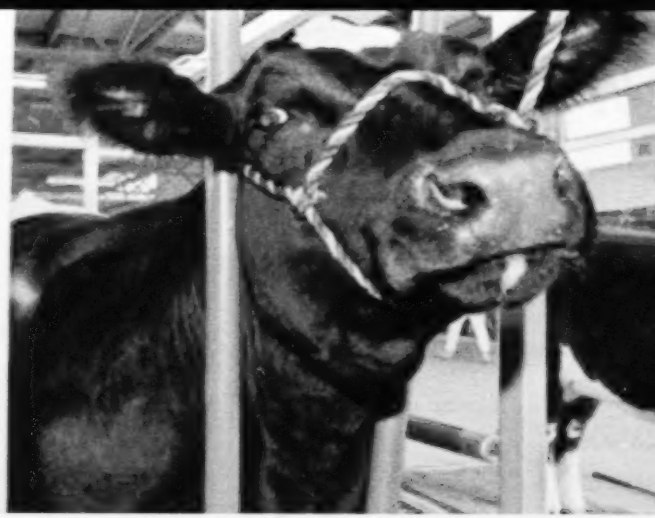
entertainment offerings changed dramatically from year to year and that they were something that families simply could not miss. In 2014, this included the addition of the Game of Thrones exhibit, never before seen in the Pacific Northwest. The exhibit was based on the hugely popular HBO TV series, and response to the exhibit was unparalleled. Staff needed to introduce special timed ticketing to manage crowds, and the exhibit brought a new demographic of young adult guests to The Fair, helping to expand The Fair's reach.

New and "one year only" entertainment options for 2014 also included the Get Animated exhibit featuring interactive displays and history around people's favourite animated characters from Disney, DreamWorks, Sony Pictures Animation and Chuck Jones. Drawing on Internet sensations like Grumpy Cat, The Fair also hosted the Just for Cats internet Cat Video Festival, and over 5,000 guests poured into the Pacific Coliseum for the special opening premiere! The YVR Fly Dome allowed guests to step inside a 100-foot fully immersive 360-degree projection dome that takes viewers through awe-inspiring locations around the world. Toon City was redeveloped as a family-friendly interactive play zone for kids with murals, playhouses and two new kids' shows—Bones & Scully and Princess Jubilation. In the Coliseum, a new evening feature show was introduced. The first week, guests could experience Jigu! Thunder Drums of China; the second week, guests enjoyed Mystic India, a Bollywood dance spectacular.

The Summer Nights Concert Series showcased great artists such as Phillip Phillips, Joan Jett, Gipsy Kings, LeAnn Rimes, Boyz II Men, Gavin DeGraw, The Pointer Sisters, Air Supply and Glass Tiger. The reserved seating options were expanded to accommodate more superfans while keeping at least 4,000 seats free for each concert. A new concert series was added to the Chevrolet Performance Stage to replace the evening tribute acts. This Mosaic Music Series, which showcased local, cultural and up-and-coming artists, featured 21 artists over 15 nights, including Spirit of the West, Powder Blues, Hey Ocean!, Andrew Allen, Babe Gurr, Raghav, Rykka, Alex Cuba, The Matinée, The Paperboys and The Boom Booms.

As initiated in 2013, The Fair remained closed on the first two Mondays, in order to save the operational costs of the lowest-attended days, allowing investment in the fresh new marquee entertainment showcased in 2014. And crowd favourites like Superdogs, Farm Country, the PNE Community Showcase, Duelling Pianos, Star Showdown talent competition, Rib Fest and the Marketplace acted as anchors for those guests who needed tradition.

Overall, response to the changes made in year two of the five-year strategy was extremely positive, as was the feedback on the new entertainment and exhibits. This resulted in very strong Fair attendance of 769,242, up 8% from 2013. Overall, total Fair revenues for 2014 were $23.78 million, which provided a positive net income of $7.72 million (see ***figures 9, 10 and 11*** for a seven-year history).



THE FAIR'S AGRICULTURAL HERITAGE

The 2014 annual 4-H Festival welcomed over 330 kids from 42 clubs across BC as part of the annual celebration of 4-H in BC. Over 1,400 entries were judged, and over $15,000 in prizes and money was awarded. The livestock auction at the end of the 4-H Festival raised $350,000 for participants. In the Pacific Spirit Horse Show, $20,000 in prize money was awarded, with 280 entries getting judged. During the 15-day Fair, over 950 animals went through the barns, and 23,500 kids went through the Kidz Discovery Farm exhibit to learn farm-to-fork basics. This Fair also saw the PNE partner with the Horse Council of BC to host Horse Day at The Fair, which we hope will become an annual event. Lastly, each year the PNE hosts a charity auction in support of the BC Youth in Agriculture Foundation; $31,000 was raised at the 2014 Fair.

80TH ANNIVERSARY OF THE PNE PRIZE HOME

2014 brought with it the 80th anniversary of BC's original and most affordable home lottery program—the PNE Prize Home. From May 5 to September 1, lottery ticket buyers had the chance to dream big and Win a House, Win a Car! Prizes for the 2014 lottery included the grand prize home package located in Kelowna's beautiful Kirschner Mountain Estates, a 50/50 draw worth over $440,000, 12 vehicles including the 80th anniversary Corvette Stingray and eight all-inclusive luxury trips from Transat Holidays. The total value of all prizes was $1.86 million.

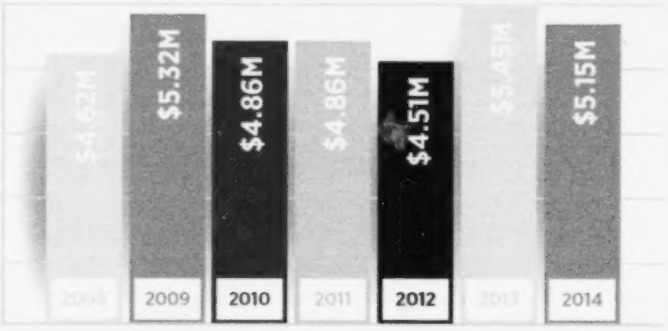
The 2014 lakeview home is an energy-efficient Power Smart home designed and built by Britco with interior design by Jillian Harris. The grand prize package included a luxury home with furnishings and accessories by Lane Home Furnishings, energy-efficient and chef-inspired Jenn-Air and Maytag appliances compliments of Coast Wholesale Appliances, an outdoor living package including hot tub from Coast Spas Lifestyles, and $2,500 in groceries from MarketPlace IGA. More than 125,000 guests tour the home each year during The Fair, each dreaming of making it their own and imagining how they can incorporate the new interior design ideas. The lucky winner of the 2014 Prize Home was Carol Ehlers of Mission.

The 2014 package of 12 vehicles provided by Chevrolet covered a wide range of tastes and included the powerful Corvette Stingray, the sexy Camaro SS, the family-oriented Malibu and Equinox, the strength of the Silverado and the energy-efficient electric Volt. Winners had a "cash or car" option, where they could accept the car or take a cash prize. The first early-bird prize was a luxury vacation to Cuba, the second was a luxury vacation to the Dominican Republic plus $5,000 cash, and the final prize was a luxury trip to Mexico plus $10,000 cash. The winner of the 50/50 prize of $440,230 (total jackpot of $880,460) was Sandy Wildman of Penticton.

In total, 1,146,960 prize home tickets were sold and entered into the draw, and the whole lottery program generated $5.15 million in revenue (see ***figure 12*** for a seven-year history). Each year, revenues from the lottery program support a variety of community programs, the PNE's rich history of agricultural programming, and a multitude of other non-revenue producing multicultural and family programming.

figure 12

PRIZE HOME LOTTERY TOTAL REVENUES



YEAR-ROUND EVENTS

The year-round event portfolio encompasses a wide variety of activities and includes concerts, sporting events, cultural and family shows, and community events. The PNE team utilizes the full range of indoor and outdoor spaces and venues to bring activities, events and celebrations to the Hastings Park site. As such, you will see that the PNE business is highly specialized yet incredibly diversified. It is this diversity in our activity streams that allows the company to withstand industry shifts, weather effects and economic impacts that may affect one or more aspects of the company in the short term while continuing to perform strongly overall in the long term. In 2014, total revenues from year-round events were $10.22 million (excluding Playland, Fright Nights and The Fair), with a net contribution of $3.14 million (see ***figures 13 and 14*** for a seven-year history). The year-round event portfolio was very strong in 2014, and the year-round hub of celebrations that are important and relevant to our organization and our diverse community will continue.

CONCERTS

Many great moments in Vancouver's music history involve the PNE. We have always said that it is impossible to look back through the history of the PNE and not be taken to the world of music. From the first Canadian concerts by Elvis and the Beatles to the dance hall days of the Garden Auditorium with Stevie Wonder, and from the major rock concerts of the 70s and 80s to the evolution of the new electronic dance music, music and concerts have always played a role in the PNE entertainment mix. Some of Vancouver's biggest and most diverse shows have come through the Pacific Coliseum and music still plays a central role in the PNE's business.

During 2014, the PNE hosted a total of 16 concerts: 10 in the Pacific Coliseum, three in the Forum and three at the PNE Amphitheatre. Over 93,300 guests attended these concerts during the year, a 15% increase over 2013. Electronic dance music accounted for 10 shows: eight in the Coliseum and two in the PNE Amphitheatre. Mainstream musical acts accounted for a total of six shows: one in the PNE Amphitheatre, three in the Forum and two in the Coliseum.

ELECTRONIC DANCE MUSIC

Since the rise of the electronic dance music (EDM) scene, the PNE has been at the heart of this musical genre. EDM used to play small out-of-the-way venues with niche audiences, but over recent years, it has continued to explode into the mainstream with its own stars and infrastructure. The venues for EDM depend on venue flexibility and on being able to accommodate large-scale dance floors, such as the very unique floor configuration that can only be accommodated at the Pacific Coliseum. These events are not a "sit in your seat and watch the artist" type of show—they are interactive dance parties that require a very different type of venue set-up and event management. The PNE, which offers a variety of flexible venues to host these shows in a safe,

well-managed environment, is very proud to have played a role in helping this genre flourish. The PNE has hosted most of the Lower Mainland's EDM shows over the past eight years. Throughout 2014, the PNE played host to the very hottest acts in EDM, such as Hardwell and Armin van Buuren, and hosted the city's most popular EDM events, including #BP17 Anniversary, Dooms Night, Solid NYE, Life in Color, Mad Decent Block Party and FVDED in the Park. Crowds ranged from 3,500 to 7,000 people, and most shows were sold out.

MAINSTREAM MUSIC

In addition to having a niche with EDM, the PNE hosted a number of other great concerts in 2014, such as The Black Keys in the Pacific Coliseum, Lana Del Ray in the PNE Amphitheatre, and Childish Gambino, Die Antwoord, and Bastille in the Forum. The PNE remains focused on building new promoter relationships, working closely to meet the needs of current partners, and showcasing newer genres and artists.

PNE AMPHITHEATRE

The outdoor PNE Amphitheatre welcomed more than 16,700 guests to events in 2014. Lana Del Ray performed to a thrilled crowd in May. Two major EDM shows called the Amphitheatre home this year: FVDED in the Park in June and Mad Decent Block Party in September. The venue also served as the entertainment and staging centre for The Color Run in September.

In addition to these events, the Amphitheatre hosted 15 concerts during the Fair at the PNE where capacity crowds enjoying shows from popular and contemporary acts such as Phillip Phillips, Zendaya, Gipsy Kings, Plain White T's and Gavin DeGraw to rock and roll acts such as Chilliwack, Joan Jett, Trooper and Three Days Grace. Guests enjoyed country stars such as Dallas Smith and LeAnn Rimes, and reminisced with the classic acts from the 80s and 90s, including Boyz II Men, The Pointer Sisters, Air Supply and Glass Tiger.

figure 13
FACILITY SALES TOTAL REVENUES

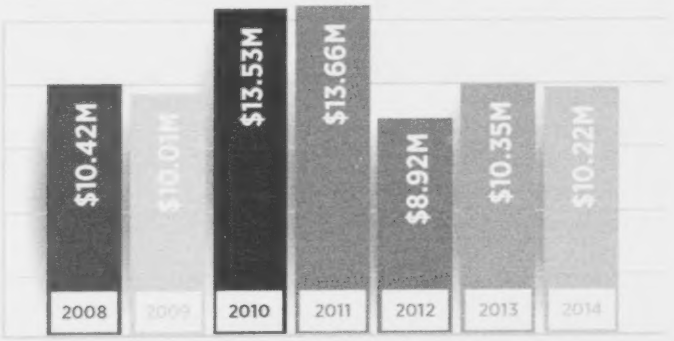
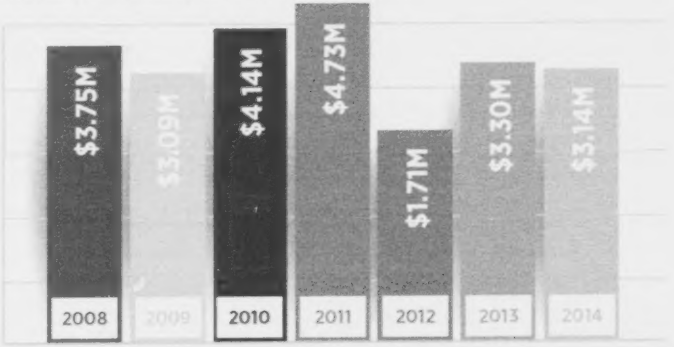


figure 14
FACILITY SALES NET CONTRIBUTION



SPORTING EVENTS

The PNE plays host to a variety of sporting events on-site. In September, approximately 5,000 runners took part in the Color Run, known as the happiest 5K on the planet. And the PNE continues to be very proud that the Vancouver Giants junior hockey team has called the Pacific Coliseum home for over a decade. In 2014, the Giants played 36 home games and were cheered on by over 200,000 fans throughout the season. The Coliseum also welcomed Harlem Globetrotters basketball as well as the Mercy Cup and a private charity hockey game during 2014.

Another highlight of the sporting year was the Van Doren Invitational, which hosted over 1,500 skateboard enthusiasts at the iconic Hastings Skate Park in July. The biggest skateboard event in Vancouver since the Slam City Jam more than eight years ago, this event boasted $75,000 in cash prizes and world-class competitors, including the current world skateboarding champion.

At the community sport level, the PNE hosted 18 different community groups who used over 1,750 hours of community ice in the Agrodome. These groups included Vancouver Minor Hockey, figure skating clubs, and a number of adult hockey and skating groups. During the year, the Pacific Coliseum also hosted private skating events such as the BCAA skate party.

Lastly, the PNE continues to work closely with and support Hastings Community Little League (HCLL). In fact, the third annual Community Day for HCLL was hosted at Playland in late May, and over $12,070 was raised in support of field upgrades for the 2016 National Championships. This brings PNE's donation in support of this initiative to $67,380 over the past few years. The PNE also continues to provide free indoor practice space and tickets to Little League members each year.

CULTURAL AND FAMILY EVENTS

For decades, the PNE has been home to a wide variety of cultural celebrations. Some of this year's highlights included two Indo-Canadian concerts: Klose To My Soul with Sonu Nigam in May, and SLAM, The Tour in September. The site also played host to an annual Ismaili festival in July for over 6,500 guests, and to the annual Nisga'a Ts'amiks Celebration in February that was enjoyed by 5,000 guests.

As a historic location for family entertainment, the PNE also hosts a dynamic range of cultural and family events throughout the year. 2014 was an active year—it included over 5,000 guests enjoying the Harlem Globetrotters family basketball show in February, and over 50,200 guests at nine performances of Disney on Ice's Let's Party in November. Our community partner CircusWest produced and performed two acrobatic circus shows in the Garden Auditorium. Families enjoyed Kaleidoscope Circus in Technicolour for four days in May and CircusFest for three days in November. The Pacific Coliseum also welcomed approximately 9,000 guests to the Roman Catholic Archdiocese of Vancouver Celebration Mass in April of 2014.

DISNEY ON ICE: LET'S PARTY, PACIFIC COLISEUM

**LANA DEL REY,
PNE AMPHITHEATRE**

COMMUNITY EVENTS

A new initiative that the PNE is very excited about is the introduction of farmers' markets to Hastings Park in 2014. The PNE partnered with the Farmers Market Association to bring between 40 and 60 local food producers to the park over nine weekends in October and November, and over an additional four weekends in March. The PNE subsidized all costs in order to bring these markets to Hastings Park. Over 12,500 community members came out to shop at these farmers' markets.

A LightWaterDrums Festival community event took place in January, and a community Learn to Fish program in the Sanctuary was hosted by the Freshwater Fisheries Society of BC in March. The PNE is also proud to host the WorkSafeBC Day of Mourning in April each year to help the community remember men and women from across the province who have been injured or killed while performing their jobs.

TRADE AND CONSUMER SHOWS

As we diversify our event base, we see continued growth with trade and consumer shows. In 2014, the PNE hosted 16 shows: 10 consumer-based shows, and six trade-only shows—the Lordco Tradeshow, two Vancouver Gift Expos, the Gordon Food Services Food Show, a RONA trade event and a Samsung training event.

Consumer shows in 2014 that were open to the public included the Vancouver Pinoy Spring Festival, Vancouver Mini Maker Faire, Winter Extreme Ski & Snowboard Swap, Motorcycle Toy Run, Body Soul & Spirit Expo, Golf and Travel Show, Hot Tub Expo, Hopscotch Festival

and Make it! The Handmade Revolution. These shows, which brought over 37,000 guests to Hastings Park, help to keep the site lively and active throughout the year.

The PNE also hosted the Vancouver Collector Car Show & Auction for the second year, a show that encompassed a number of indoor and outdoor venues. This consumer show showcases the PNE's ability to execute large-scale and complex multi-venue events with great success; the show brought 8,000 guests to Hastings Park in June.

FILM ACTIVITY

On-site film activity varies dramatically from year to year, as it is dependent on the health of the BC film industry as well as on US exchange rates, which help determine whether it is cost-effective for film companies to produce shows, features and series in BC. In 2014, a total of 30 different film companies used the site and venues, for a total of 332 days of filming. Venues used by the film industry throughout the year included the Pacific Coliseum, the Forum, the Agrodome, the Livestock building, Rollerland, the PNE Amphitheatre and several areas of the outdoor grounds. The PNE continues to be seen as a flexible site to choose when projects are being shot in the Lower Mainland, and the PNE sales team maintains strong relationships in the film industry to ensure that the organization is well positioned to capitalize on increased market activity when market shifts occur.

TICKETLEADER

TicketLeader, the PNE's in-house ticketing system, is now in its third year of operation. All venues, including the Pacific Coliseum, Forum and PNE Amphitheatre, are ticketed exclusively by TicketLeader. In 2014, TicketLeader also became the ticketing system of choice for several high-profile off-site events, including the Honda Celebration of Light fireworks competition and the Stanley Park Halloween Ghost Train and Bright Nights Christmas Train. By internalizing ticketing, the PNE can work with event promoters to right-size ticketing fees while increasing the PNE's event-based direct marketing impact. It is anticipated that TicketLeader will continue to be a revenue growth opportunity for the PNE in the years to come, especially as year-round events on-site continue to grow.

PNE FARMERS' MARKET: HASTINGS PARK

MOMIJI GARDEN

PARK AND FACILITY MAINTENANCE

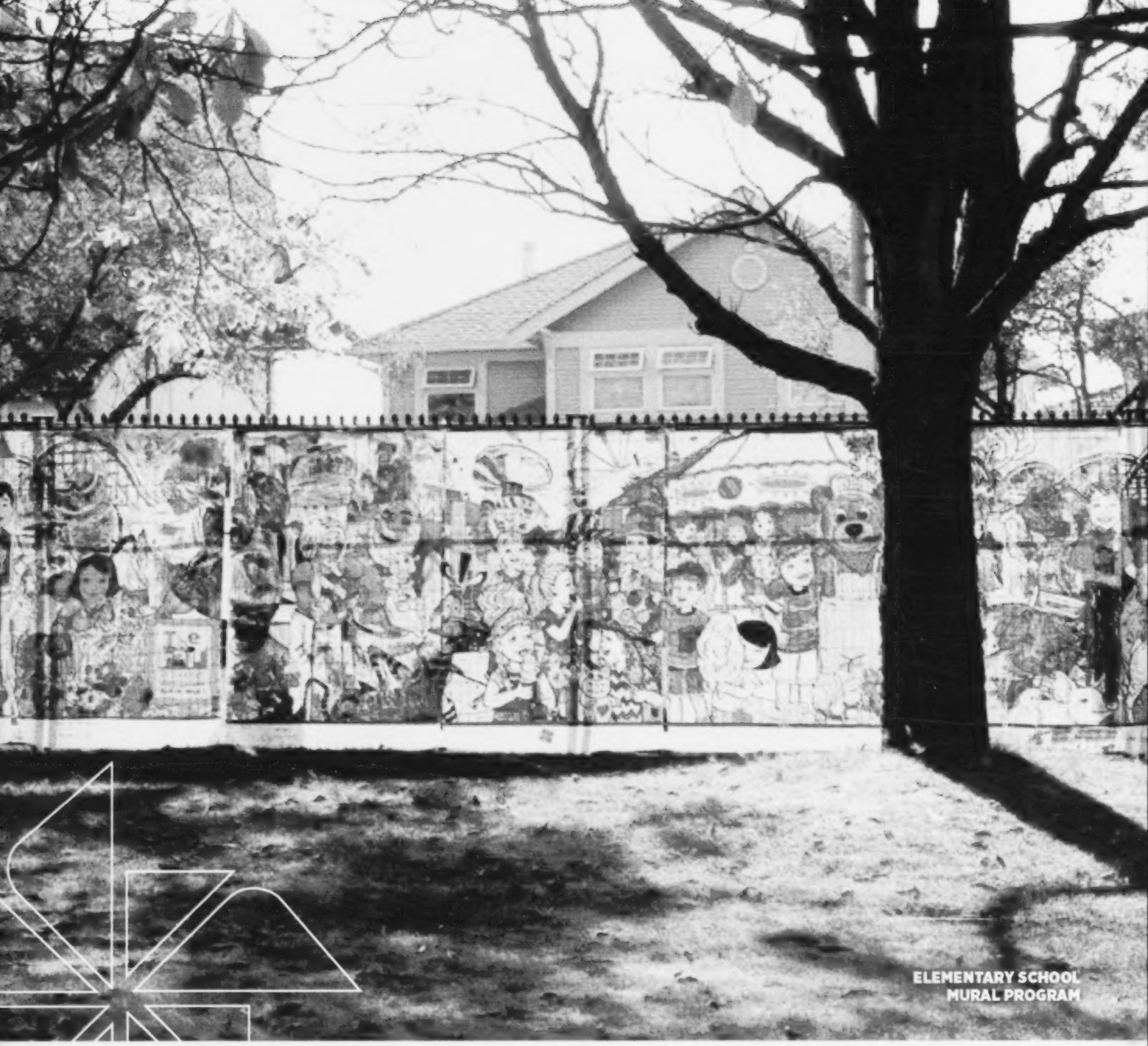
The PNE's fourth activity stream is park and facility maintenance. Since the organization's inception in 1910, the PNE has been the sole steward of more than 100 acres of Hastings Park (Empire Fields is maintained by the Vancouver Park Board and the racetrack is maintained by Great Canadian Casinos through a separate operating agreement with the City of Vancouver).

This means that the PNE and its staff are responsible for the care and upkeep of the majority of landscaped grounds, trees, benches, playground equipment and the specialized gardens (the Momiji Garden, the Italian Gardens and the Sanctuary), as well as the buildings. A team of full-time well-trained gardeners is employed year-round to care for and maintain all the outdoor and park spaces. Careful pruning in the Sanctuary is done throughout the year while keeping it in its naturally intended state. The Italian and Momiji gardens are cared for by specially trained horticultural teams in consultation with the City of Vancouver, the Vancouver Park Board and the Vancouver Japanese Gardeners Association.

Although this activity stream does not generate revenue, $6.01 million was spent on the care and maintenance of facilities and park space in 2014. Each year, approximately $3 million of the budget is dedicated to outdoor spaces. These annual expenditures are regularly budgeted operational expenses that are possible because of the revenue generated by the PNE's three other activity streams.

Although the PNE is very proud of all the work its teams do to care for the green spaces on-site, noteworthy park care efforts in 2014 included ongoing care of the Sanctuary, Momiji Garden and Italian Gardens, the completion of greenways through the site, and the addition of new hedges, trees and flower beds in several areas within Playland. Seasonal plantings throughout the grounds enhanced the outdoor spaces for all guests to enjoy.

In addition to park efforts, upgrades were made to dressing rooms and the lower concourse in the Pacific Coliseum. The Forum received additional glass doors, new overhead gas radiant heaters, a concrete entry landing, new steps and a new disabled access ramp to facilitate a wider range of events. The Garden Auditorium also received a new disabled access ramp, and capital investments were made for new equipment for the tech services team. The PNE continues to work with the City of Vancouver on its 2015–2018 capital plan to ensure that site assets receive required upgrades and repairs.



ELEMENTARY SCHOOL MURAL PROGRAM

COMMITMENT TO SUSTAINABILITY

Fiscal 2014 was an exciting year on the sustainability front. A 2013 report completed by an external sustainability consultant identified a number of areas for the PNE to focus on in the coming years. A key area was waste management, and through strategic investment and dedicated effort, the PNE achieved significant improvement in waste diversion in 2014.

Seventy-five new waste diversion stations were purchased through PNE investment and through a grant from our partner Vancity. This introduced compost diversion for the first time in Playland, at The Fair and in the Pacific Coliseum. Overall waste diversion rates for The Fair increased by 5% with these bins in place. The Fair also introduced a new policy that all food vendors on-site needed to use only compostable serving dishes and cutlery, so that waste could be reduced. During The Fair, we were able to divert 17 tonnes of pre-consumer food waste from the landfill, and approximately 180 tonnes of animal waste and shavings from the agriculture department were collected and recycled. And the 2014 PNE Prize Home was an energy-efficient Power Smart-rated home.

The PNE held its first zero waste day on Vancity Member Day, on Wednesday, August 27. On that day, we worked with Vancity staff, Green Chair volunteers and our waste hauling partner to come as close as possible to zero waste. As well, we worked with Vancity to share the story of the PNE's journey to zero waste. Through an interactive on-site display managed by Vancity, we were able to gather guest input on our plans and, through signage and blog posts, we were able to share our priorities and our vision with guests.

Each year, the PNE strives to improve its performance and to achieve sustainability in all areas of its business. From Playland and The Fair to year-round indoor and outdoor events, the PNE remains committed to improving its environmental footprint and to making sustainability investments a top priority. We look forward to sharing more progress in next year's annual report.

The PNE also remains committed to the following initiatives that are currently in place.

CORPORATE INITIATIVES

- Marketing collateral continues to be printed on recycled paper certified by the Forest Stewardship Council, and marketing efforts continue to leverage web, mobile and email marketing initiatives to reduce paper use where possible.
- Human Resources utilizes direct deposit and epost for payroll, and most recruiting is done online, rather than on paper.
- Old uniforms are donated to charitable organizations or are reused internally.
- Suppliers are encouraged to provide environmentally preferred green, recycled and energy-efficient products wherever possible.
- Throughout the organization, staff continue to recycle paper, bottles, cans, plastics and discarded computer parts. Staff are encouraged to use reusable office supplies, hold

paper-free meetings, print only two-sided pages, turn off computers at night and use low-energy Energy Star lighting in offices.

- The PNE continues to be an active participant in the Green Sports Alliance.
- The organization continues to utilize more natural elements in landscaping and theming throughout the site.

EVENT MANAGEMENT INITIATIVES

- Beer cup recycling programs remain in place at the Pacific Coliseum and for all other events.
- Agriculture in the City displays promoted local and sustainable agricultural practices to guests.
- Retail ticketing programs use a recyclable styrene paper product for gift cards, rather than PVC plastic.

- A blue bag recycling program for concessionaires and exhibitors is in place during The Fair to encourage recycling of bottles, cans, plastics and cardboard. The PNE provides the bags as well as the collection service for all exhibitors.
- The food and beverage department uses environmentally friendly cleaning products and continues to upgrade to low-energy fixtures and energy-efficient appliances.
- In event marketing materials, the PNE regularly promotes the use of public transportation to get to and from the PNE site, and works with TransLink to increase levels of public transportation to the site during high-volume events such as the annual summer Fair. The Fair also provides guests with a complimentary bike valet service.
- During events, agricultural event dirt is reused, shavings are purchased in bulk, and manure is composted.
- Plans are underway to further improve exhibitors' sustainability performance on-site in upcoming years, including limiting the types of materials that can be used on-site and requiring that all pre-consumer food waste be composted.

FACILITIES INITIATIVES

The technical services department remains focused on ensuring that facilities throughout the grounds continue to receive sustainable and energy-efficient upgrades:

- Waste audits are conducted annually.
- In 2012, a light bulb recycler was purchased. Since then, the PNE has diverted over 20,000 fluorescent tubes and incandescent light bulbs from the landfill, turning them into recyclable glass and capturing bulb gases. We continue to recycle all bulbs on-site.
- Low-flush toilets and urinals as well as low-water-use faucets and high-efficiency lighting have been installed in all major buildings on-site.
- The Agrodome now has high-efficiency lighting in the main arena and plaza.
- Ice in the Agrodome is made using the REALice cold-water ice-making system.
- Our technical services department remains committed to the proper disposal and recycling of batteries, motor oil and containers, hydraulic oils, antifreeze, oil filters, containers and absorbents, aerosol cans, paint, wood, glass, vehicle tires, drywall, concrete and blacktop, steel, aluminum and copper.
- Lights throughout the site have been replaced with high-efficiency fixtures.
- Leaves, grass clippings and tree trimmings are recycled for composting. The technical services team uses electric, propane or natural gas vehicles where possible (zoom booms, scissor lifts, scrubbers, Zambonis, forklifts, electric ice edgers, electric golf carts, etc.), and remains committed to exploring the conversion of other fleet vehicles.

The PNE continues to actively work on improving its environmental footprint. In addition to working with Vancity and a team of external contractors on the next steps to take, the PNE remains proud of its progress and encourages suppliers, partners, sponsors and staff to continue to bring ideas forward. We understand that there is much work yet to be done and we remain committed to making progress in sustainability. Watch for our 2015 report, as we have many new, exciting initiatives underway!

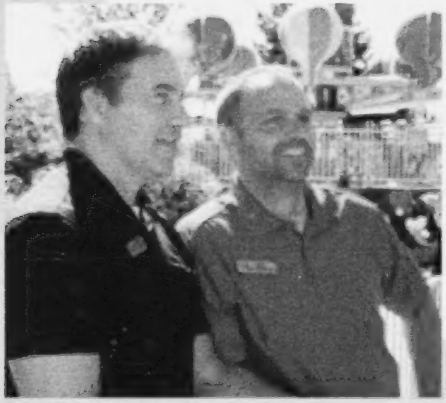
CELEBRATING TEAM AND SUCCESS

With 104 years of experience and history, we often say that while almost everything has changed, one thing has remained consistent—it is our people who make this organization great, who make all the amazing and diverse events happen, and who care for and maintain this park and its facilities. Thousands of people continue to work tirelessly each year behind the scenes to build this iconic organization, and their stories are as rich as the history of this great institution. Thank you to everyone who contributes each year to make events and celebrations successful and who keeps this site a dynamic social gathering place for our diverse community.

THE PNE TEAM

One of the things the PNE has always been very proud of is the longevity of its team. Currently, 143 staff have more than 25 years of service, and 15 staff have 40 years or more of service. This is quite an accomplishment, and it speaks volumes about the passion and dedication of these hard-working team members.

"More than 50% of the employees who work at the PNE live in the City of Vancouver."



Activities and events on-site in 2014 contributed 428 full-time equivalent jobs to the local economy. The PNE employs 3,967 people each year in a variety of roles and 3,554 of those jobs (89.6%) are in the Vancouver CMA. The PNE team is made up of 1,389 Fair-time employees, 2,409 part-time employees and seasonal staff (including Playland), 169 full-time employees, and a team of approximately 50 full-time management employees. The PNE is proud to be BC's largest employer of youth, providing first jobs and the skills required by the next generation of community and business leaders.

More than 50% of PNE employees live in the City of Vancouver and all non-management staff are unionized in one of four unions: Canadian Union of Public Employees (CUPE) Local 1004, Operating Engineers Local 882, Electrical Workers IUOE Local 213, and International Alliance of Theatrical and Stage Employees (IATSE) Local 118.

STAFF PROGRAMS

The PNE has always been committed to providing health and wellness opportunities for staff. Initiatives include a staff-run social club as well as a company-funded health and wellness committee. Program types vary from year to year depending on staff feedback, but include year-round access to an on-site fitness centre and organized boot camp classes. Many programs are made available at a reduced rate for employees.

"The PNE is proud to be BC's largest employer of youth, providing first jobs and the skills required by the next generation of community and business leaders."

Staff recognition also remains a cornerstone of PNE incentive programs. 2014 was the fourth year of the Spotlight-On-You program, which is designed to recognize employees who contribute to the company's overall success and who promote productivity and creativity. The program allows managers to provide personal, informal and year-round on-the-spot recognition to deserving individuals or teams—both in bargaining units and excluded.

We also continued a program for seasonal and Fair-time team members called Impress Our Guests. This program, which is based on the PNE's mission and values, allows managers to recognize employees both on the front line and behind the scenes who enhance the guest experience. Winners are drawn weekly during the Playland season and daily during The Fair. Recognized staff are awarded with an array of $50 gift card options.

The PNE Scholarship Program is an employee recognition program intended to identify and celebrate PNE team members who excel in performance, provide exceptional service to guests and peers, are in good academic standing and are pursuing a post-secondary academic career. Eligible PNE employees or children of PNE employees are eligible to apply for the PNE Scholarship. Four scholarships of $500 were awarded in 2014.

THROUGH THE HARD WORK OF THE PNE TEAM, THIS ORGANIZATION CONTINUES TO BE RECOGNIZED AS AN INDUSTRY LEADER. THE FOLLOWING IS A SUMMARY OF AWARDS RECEIVED BY THE PNE DURING THE 2014 AWARD SEASON:

The Playland Hot Seat social media campaign won a Merit Award from the ***Advertising & Design Club of Canada.***

PNE won a Crystal Award for their stellar efforts in hosting the national "Reach Your Peak" conference for the Canadian Association of Fairs and Exhibitions (CAFE).

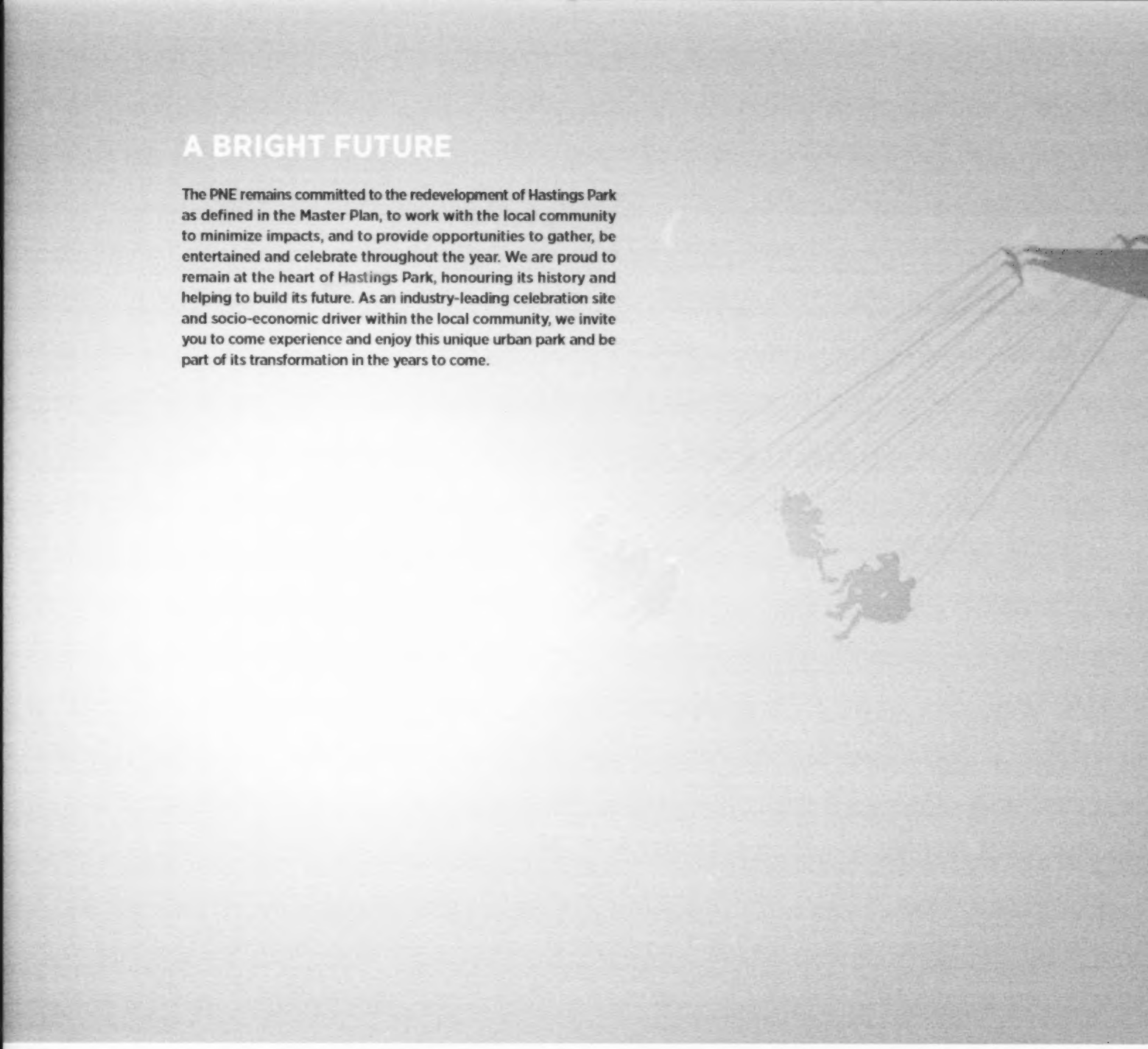
The Playland radio spot The Last Call, Found Footage *won Gold at the* ***Crystals Awards.***

The Playland Hot Seat social media campaign won a Bronze Medal at the Facebook Studio Awards.

The PNE won second place in the Vancouver Courier ***Stars of Vancouver 2014 Readers' Choice Awards*** *for Best Place to Take the Kids and third place for Best Tourist Attraction.*

A BRIGHT FUTURE

The PNE remains committed to the redevelopment of Hastings Park as defined in the Master Plan, to work with the local community to minimize impacts, and to provide opportunities to gather, be entertained and celebrate throughout the year. We are proud to remain at the heart of Hastings Park, honouring its history and helping to build its future. As an industry-leading celebration site and socio-economic driver within the local community, we invite you to come experience and enjoy this unique urban park and be part of its transformation in the years to come.



THE ATMOSFEAR RIDE

NEW ROCK-N-CARS RIDE

FINANCIAL REPORTS

REPORT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The *Pacific National Exhibition Incorporation Act*, later amended by the *PNE Enabling and Validating Act*, requires the PNE to table an annual report containing information about the organization's performance. PNE management prepares the following financial statements and related information and is responsible for their integrity. As in all cases, the statements include amounts based on management's estimates and judgments. We believe that these statements fairly represent the PNE's current financial position. Management is also responsible for the accuracy and completeness of the information presented in the PNE's annual report. To fulfill this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance the information is accurate and complete.

PNE officials who have provided the information contained in the 2014 annual report have verified its completeness and accuracy. Our independent auditors, KPMG LLP, have audited the financial statements using Canadian Public Sector Accounting Standards to the extent necessary to form an independent opinion on the financial statements prepared by management.

Michael McDaniel
President and Chief Executive Officer

Roger Gil
Vice President, Finance and Corporate Services

2014 BOARD OF DIRECTORS

Chair: Mr. Raymond Louie - Councillor, City of Vancouver

Vice Chair: Mr. Malcolm Bromley - General Manager, Vancouver Park Board

Treasurer: Ms. Patrice Impey - General Manager, Financial Services, City of Vancouver

Directors: Ms. Sarah Blyth - Vancouver Park Board Commissioner (to November 15, 2014; position vacant to March 31, 2015)

Ms. Cheryl Carline - President, Burnaby Hospital Foundation

Mr. Sadhu Johnston - Deputy City Manager, City of Vancouver

Mr. Peter Legge - Chairman and CEO, Canada Wide Media Limited

Ms. Brenda Prosken - General Manager, Community Services, City of Vancouver

Mr. Richard Saunders - Workers' Advocate, Labourers' Membership Services, Construction and Specialized Workers' Union Local 1611, Workers Compensation Board (WCB)

Mr. Paul Sihota - City of Vancouver Fire and Rescue (to December 31, 2014; position vacant to March 31, 2015)

Ms. Nancy Wright - Vice President, Marketing, GLOBE Foundation (to December 31, 2014; position vacant to March 31, 2015)

EXECUTIVE MANAGEMENT COMMITTEE

President and Chief Executive Officer:	Mr. Michael McDaniel
Vice President, Operations:	Mr. Jeff Strickland
Vice President, Marketing:	Ms. Shelley Frost
Vice President, Finance and Corporate Services:	Mr. Roger Gil
Vice President, Sales:	Mr. Peter Male
Vice President, Human Resources:	Ms. Stacy Shields
Executive Assistant and Corporate Secretary:	Ms. Salome Valente

CORPORATE GOVERNANCE PRACTICES

The Pacific National Exhibition is a non-profit organization owned by the City of Vancouver. The company's business affairs are the responsibility of the Board of Directors, a City Council-appointed body. The PNE's Board of Directors is committed to ensuring that corporate governance practices are open and effective and that the Board is fully accountable and assumes responsibility for the stewardship of the organization. The Board discharges responsibility of day-to-day operations to the President and Chief Executive Officer, who in turn selects and oversees the rest of the management team. The Board encourages management, under the direction of the President and Chief Executive Officer, to make clear and appropriate executive decisions.

2014 AUDITOR

KPMG LLP, Chartered Accountants
Metrotower II
Suite 2400, 4720 Kingsway
Burnaby, BC Canada V5H 4N2

Telephone: 604-527-3600
Fax: 604-527-3636
Web: www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

KPMG LLP
Chartered Accountants

Metrotower II, Suite 2400-4720 Kingsway
Burnaby, BC V5H 4N2 Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

To the Board of Directors of the Pacific National Exhibition

Report on the Financial Statements

We have audited the accompanying financial statements of Pacific National Exhibition, which comprise the statement of financial position as at March 31, 2015, the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacific National Exhibition as at March 31, 2015, its results of operations and accumulated surplus, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards..

Report on Other Legal and Regulatory Requirements

As required by the *Pacific National Exhibition Act*, we report that, in our opinion, the accounting principles in the Canadian Public Sector Accounting Standards have been applied on a consistent basis.

KPMG LLP

Chartered Accountants
July 20, 2015
Burnaby, Canada

KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. KPMG Canada provides services to KPMG LLP.

		March 31, 2015	March 31, 2014
FINANCIAL ASSETS			
Accounts Receivable	*(Note 2)*	$ 588,355	$ 797,727
LIABILITIES			
Bank indebtedness		491,897	79,028
Bank loan	*(Note 3)*	13,146,416	11,214,191
Accounts payable and accrued liabilities	*(Note 2,4)*	5,661,505	5,449,585
Deferred revenue		1,118,279	796,430
Obligations under capital lease		-	23,379
		20,418,097	17,562,613
Net debt		(19,829,742)	(16,764,886)
NON-FINANCIAL ASSETS			
Tangible capital assets	*(Note 6)*	17,909,058	15,756,728
Inventories held for use		751,618	734,717
Prepaid expenses		2,385,650	1,087,427
		21,046,326	17,578,872
Accumulated surplus		$ 1,216,584	$ 813,986

Commitments and contingent liabilities (note 8)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Raymond Louie, Director

Patrice Impey, Director

	Budget (Note 1(i))	2015	2014
REVENUE:			
Events	$ 45,752,353	$ 45,952,566	$ 45,118,645
Other	-	-	433,140
	45,752,353	45,952,566	45,551,785
EXPENSES (NOTE 9):			
Office of the President	1,420,637	758,029	740,383
Media Relations	174,814	178,575	169,213
Entertainment	3,274,825	3,229,835	3,288,618
Sales	1,159,430	1,835,725	2,082,201
Group Sales	188,276	161,099	142,967
Exhibit Space	1,065,096	1,096,069	911,855
Finance	4,093,021	3,887,949	3,738,514
Information Service	919,205	973,285	905,888
Corporate Service	557,864	572,856	632,694
Marketing	1,126,566	1,226,730	700,280
Sponsorship	170,000	121,432	135,227
Advertising	2,265,800	2,203,961	2,201,175
Operations	883,806	869,098	855,127
Agriculture	821,454	807,623	811,581
Food & Beverage	5,422,968	5,583,464	5,590,184
Guest Services	416,587	384,508	382,276
Tech Services	5,580,399	5,824,047	5,928,075
Lotteries	3,362,147	3,322,003	3,170,249
Public Safety & Parking	2,737,632	2,941,660	2,924,824
Rides	3,064,757	2,995,709	2,969,078
Games	1,878,841	1,967,978	1,942,388
Playland Tech Services	3,599,019	3,583,998	3,633,332
Human Resources	1,339,723	1,024,335	1,366,529
	45,522,867	45,549,968	45,222,658
Annual surplus (deficit)	229,486	402,598	329,127
Accumulated surplus, beginning of year	813,986	813,986	484,859
Accumulated surplus, end of year	$ 1,043,472	$ 1,216,584	$ 813,986

See accompanying notes to financial statements.

	Budget	2014 Total	2013 Total
	(Note 1(i))		
Annual surplus (deficit)	$ 229,486	$ 402,598	$ 329,127
Acquisition of tangible capital assets		(3,754,059)	(2,203,346)
Amortization of tangible capital assets		1,601,729	1,544,155
		(2,152,330)	(659,191)
Acquisition of inventories held for use		(4,046,739)	(3,708,494)
Increase in prepaid expense		(2,734,632)	(1,865,542)
Consumption of inventories held for use		4,029,838	3,550,861
Use of prepaid expense		1,436,409	1,875,068
		(1,315,124)	(148,107)
Decrease (increase) in net debt	229,486	(3,064,856)	(478,171)
Net debt, beginning of year	(16,764,886)	(16,764,886)	(16,286,715)
Net debt, end of year	$ (16,535,400)	$ (19,829,742)	$ (16,764,886)

See accompanying notes to financial statements.

	2014	2013
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	$ 402,598	$ 329,127
Items not involving cash:		
Amortization of tangible capital assets	1,601,729	1,544,155
Change in non-cash operating working capital:		
Decrease in accounts receivable	209,372	(6,081)
Decrease (increase) in prepaid expenses	(1,298,223)	9,526
Decrease in inventories held for use	(16,901)	(157,633)
Increase (decrease) in accounts payable and accrued liabilities	211,920	2,303,182
Increase (decrease) in deferred revenue	321,849	(898,722)5
Net change in cash from operating activities	1,432,344	3,123,554
Capital activities:		
Cash used to acquire tangible capital assets	(3,754,059)	(2,203,346)
Financing activities:		
Increase (decrease) in bank indebtedness	412,869	7,703,459
Increase in bank loan	1,932,225	7,703,459
Principal payments on tangible capital lease obligations	(23,379)	(208,146)
Net change in cash from financing activities	2,321,715	7,495,313
Net change in cash	-	-
Cash, beginning and end of year	$ -	$ -

See accompanying notes to financial statements.

AUTHORITY AND PURPOSE AND OPERATIONS:

Pacific National Exhibition ("PNE") is a premier entertainment destination in the Province of British Columbia. It has four main activity streams: an annual 15 day fair, Playland amusement park, year-round facilities which are utilized to celebrate a variety of community, social, cultural, ethnic and commercial events, and the care and development of the park.

PNE was established in 1910 and incorporated in 1973 under the Pacific National Exhibition Incorporation Act of the Province of British Columbia.

The mission of PNE is to enrich the quality of life at Hastings Park, Vancouver, by providing family entertainment that invites its guests to celebrate Vancouver's heritage, culture and diverse communities in a vibrant urban park.

Effective January 1, 2004, PNE became wholly owned by the City of Vancouver and is an independently operated entity. As a result of its ownership, PNE is not subject to income taxes.

These financial statements have been prepared on the basis that the PNE is a going concern, which assumes that the PNE will continue to realize its assets and discharge its liabilities in the normal course of operations. The PNE's ability to continue as a going concern is dependent upon, among other things, achieving profitable operations and the continued support of its lenders and its parent, the City of Vancouver.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of accounting:

The financial statements of PNE have been prepared by management in accordance with Canadian Public Sector Accounting Board ("PSAB") standards of Chartered Professional Accountants of Canada.

(b) Revenue recognition:

Revenues from the annual fair (the "Fair") are recorded as received (admissions) and as earned (exhibitors and advertisers). The Fair runs from late August to early September. Any exhibitor or advertising fees received for next year's Fair are deferred and will not be recognized until earned during the next year's Fair.

Revenues from Playland amusement park are recognized as received (admissions) and as earned (advertisers).

Revenues from short-term event rental of facilities are recorded upon completion of the event. Sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured.

Contributions from the City of Vancouver, from senior government, or from other donors are recorded as receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions with a designated purpose are deferred until used for the intended purpose. Government transfers are recognized as revenue in the period that the transfer is authorized by the transferring government, and eligibility criteria, if any, have been met by PNE, except when and to the extent that the transfer gives rise to a liability and is recognized as revenue when and in proportion to how the liability is settled.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Deferred revenue:

Amounts received in the fiscal year in advance of providing the related services are deferred and are recorded as revenue as the services are provided.

Advertising revenue for long-term contracts is recognized on a straight-line basis over the term of the related contract. Deferred revenue also comprises of ticket sales, fees, deposits and other revenues for events that are not recognized as revenue until the related event is held.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is not capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, are amortized on a straight-line basis over their estimated useful lives shown below.

Asset	Basis	Rate
Machinery, furniture and equipment	Declining balance	10 – 30%
Playland rides and equipment	Straight-line	15 – 40 years
Playland rides under capital lease	Straight-line	15 – 40 years
Leasehold improvement	Declining balance	10 – 15%

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to PNE's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(ii) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iii) Inventories held for use:

Inventories held for use are recorded at the lower of cost and replacement cost. Inventories are consisted of stores, plush toys, merchandise, and food and beverages. Cost is determined using the weighted average method. Cost of inventories includes acquisition and all costs incurred to deliver inventory to PNE's head office, including freight, non-refundable taxes, duties, and other landing costs.

Replacement cost is the estimated current price to replace the items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

PNE uses the following method and assumptions to estimate the fair value of each class of financial instruments:

(i) Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities – the carrying amounts approximate fair value due to the short term nature of these instruments.

(ii) Foreign currency hedge instrument – measured at current market price.

Unrealized changes in fair value are not recognized until they are realized, when they are recorded in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

(f) Employee future benefits:

The PNE and its employees make contributions to Municipal Pension Plan (the "Plan") which is a multi-employer joint trusteed plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plan are not segregated by entity, the plan is accounted for as a defined contribution plan and any contributions of PNE to the plan are expensed as incurred.

(g) Use of estimates:

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to useful life of tangible capital assets, valuation of accounts receivable, valuation of inventory and provision for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(h) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction. Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of operations.

(i) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Corporate Plan for 2014/2015 approved by the Board of Directors of PNE on April 3, 2014. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

2. DUE FROM/(TO) GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS:

Included in accounts receivable and accounts payable and accrued liabilities are the following amounts due from/to government:

	2015	2014
Accounts receivable:		
City of Vancouver	$ 1,622	$ -
Sales tax rebates receivable	85,858	248,392
	87,480	$ 248,392
Accounts payable and accrued liabilities:		
City of Vancouver	(19,193)	$ (108,682)
Payroll tax remittances	(90,995)	(131,733)
	(110,188)	(240,415)
	$ (22,708)	$ 7,977

3. BANK LOAN:

	2015	2014
Demand operating loan	$ 10,500,000	$ 6,184,166
Demand instalment loan for capital	2,646,416	-
US LIBOR	-	5,030,025
	$ 13,146,416	$ 11,214,191

3. BANK LOAN (CONTINUED):

PNE has a revolving facility with a Canadian chartered bank providing for maximum borrowing of $16.4 million in operating credit and $5 million for instalment loan for capital purchases. The facilities bear interest at the bank prime rate and are due on demand. A general security agreement covering all assets and undertakings of PNE has been provided as collateral for the operating line as well as a guarantee and postponement of claim by the City of Vancouver. In addition, the guarantee by the City of Vancouver includes letters of guarantee outstanding totaling $160,000 (2014 - $160,000).

The bank loan is measured at fair value.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	2015	2014
Accounts payables and accrued liabilities	$ 4,841,024	$ 4,447,074
Salaries and benefits payable	455,066	620,079
Accrued vacation pay	356,826	343,412
Other	8,589	39,020
	$ 5,661,505	$ 5,449,585

3. EMPLOYEE FUTURE BENEFITS:

Pension benefits:

PNE and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteed pension plan. The Plan's Board of Trustees for these plans, representing plan members and employers, is responsible for the management of the Plan, including investment of the assets and administration of benefits. The Plan is a defined benefit multi-employer contributory pension plan. The Plan has approximately 182,000 active members, of whom 183 are employees of PNE, and 75,000 retired members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2012, indicated an unfunded liability of approximately $1,370 million for basic pension benefits. The next required valuation will be as at December 31, 2015, with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the

fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the plan.

PNE's employer contributions to the plans amounted to $878,506 in 2015 (2014 – $786,767).

7. TANGIBLE CAPITAL ASSETS:

Cost	Balance at March 31, 2014	Additions	Disposals	Transfers	Balance at March 31, 2015
Machinery, furniture and equipment	$ 15,717,249	$ -	$ -	$ 1,275,207	$ 16,992,456
Playland rides and equipment	18,929,542	-	-	1,158,748	20,088,290
Assets under construction	1,148,691	3,754,059	-	(2,433,955)	2,468,795
Total	$ 35,795,482	$ 3,754,059	$ -	$ -	$ 39,549,541

Accumulated amortization	Balance at March 31, 2014	Disposals	Amortization expense	Balance at March 31, 2015
Machinery, furniture and equipment	$ 9,400,265	$ -	$ 975,703	$ 10,375,968
Playland rides and equipment	10,638,489	-	626,026	11,264,5159
Assets under construction	-	-	-	-
Total	$ 20,038,754	$ -	$ 1,601,729	$ 21,640,483

	Net book value March 31, 2014	Net book value March 31, 2015
Machinery, furniture and equipment	$ 6,316,984	$ 6,616,488
Playland rides and Equipment	8,291,053	8,823,775
Assets under construction	1,148,691	2,468,795
Total	$ 15,756,728	$ 17,909,058

(a) Work in progress:

Work in progress having a value of $2,468,795 (2014 — $1,148,691) have not been amortized.

Amortization of these assets will commence when the asset is put into service.

(b) Writedown of tangible capital assets:

There are no writedown of tangible capital assets in the current year (2014 - nil).

7. FINANCIAL RISK MANAGEMENT:

PNE has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and foreign exchange risk.

The Board of Directors ensures that PNE has identified its major risks and ensures that management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to PNE if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by PNE consisting of amounts receivable.

It is management's opinion that PNE is not exposed to significant credit risk arising from its amounts receivable.

(b) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect PNE's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

It is management's opinion that PNE is not exposed to significant market or interest rate risk arising from its financial instruments.

(c) Liquidity risk:

Liquidity risk is the risk that PNE will not be able to meet its financial obligations as they become due.

PNE manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to PNE's reputation.

(d) Foreign exchange risk:

Foreign exchange risk is the risk to PNE's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. PNE may use foreign currency swaps to mitigate this risk.

8. COMMITMENTS AND CONTINGENT LIABILITIES:

(a) PNE may, from time to lime, be involved in legal proceedings, claims, and litigation that arise in the normal course of business, in the event that any such claims or litigation are resolved against PNE, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of PNE. At March 31, 2015, there are no outstanding claims.

(b) On July 12, 2014, PNE's status as a registered charity under the Income Tax Act was revoked by the Canada Revenue Agency ("CRA"). As a result, PNE, as of that date, is no longer entitled to use the special GST reporting method for charities or issue donation receipts. Subsequent to July 12, 2014, the CRA has indicated that PNE may qualify for an annulment rather than a revocation under these circumstances. If the revocation is upheld, PNE would be assessed a revocation tax, which is comprised of 100% of PNE's assets after all debts and liabilities have been repaid. Under an annulment, no such tax would be incurred. PNE has applied for reregistration of its charity status and the process is currently ongoing. Management is of the opinion that PNE qualifies as a charity, but if the re-registration is denied, they are confident that their status will ultimately be annulled and not revoked.

9. EXPENSES BY OBJECT:

The following is a summary of expenses by object:

	2015	2014
Cost of goods sold	$ 2,645,687	$ 2,559,853
General and administrative	19,984,777	19,920,603
Payroll	21,034,605	20,799,707
Amortization	1,601,729	1,544,155
Interest-bank loans	220,304	249,527
Interest-capital leases	-	148,813
Interest-term finance	62,866	-
	$ 45,549,968	$ 45,222,658

10. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Pacific National Exhibition

2901 East Hastings Street
Vancouver, BC V5K 5J1

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